City of El Paso, Texas
Internal Audit Office
Policies and Procedures Manual

As of July 29, 2010

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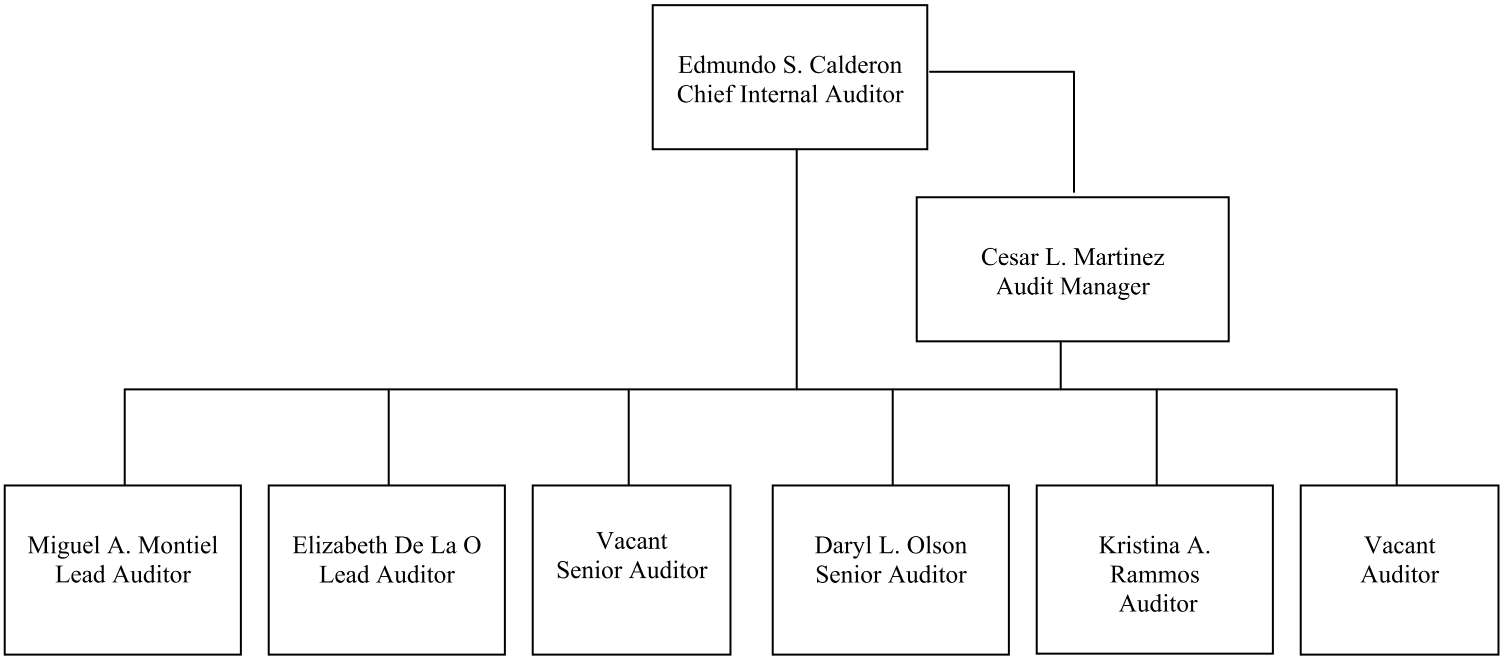
INTERNAL AUDIT OFFICE ORGANIZATIONAL CHART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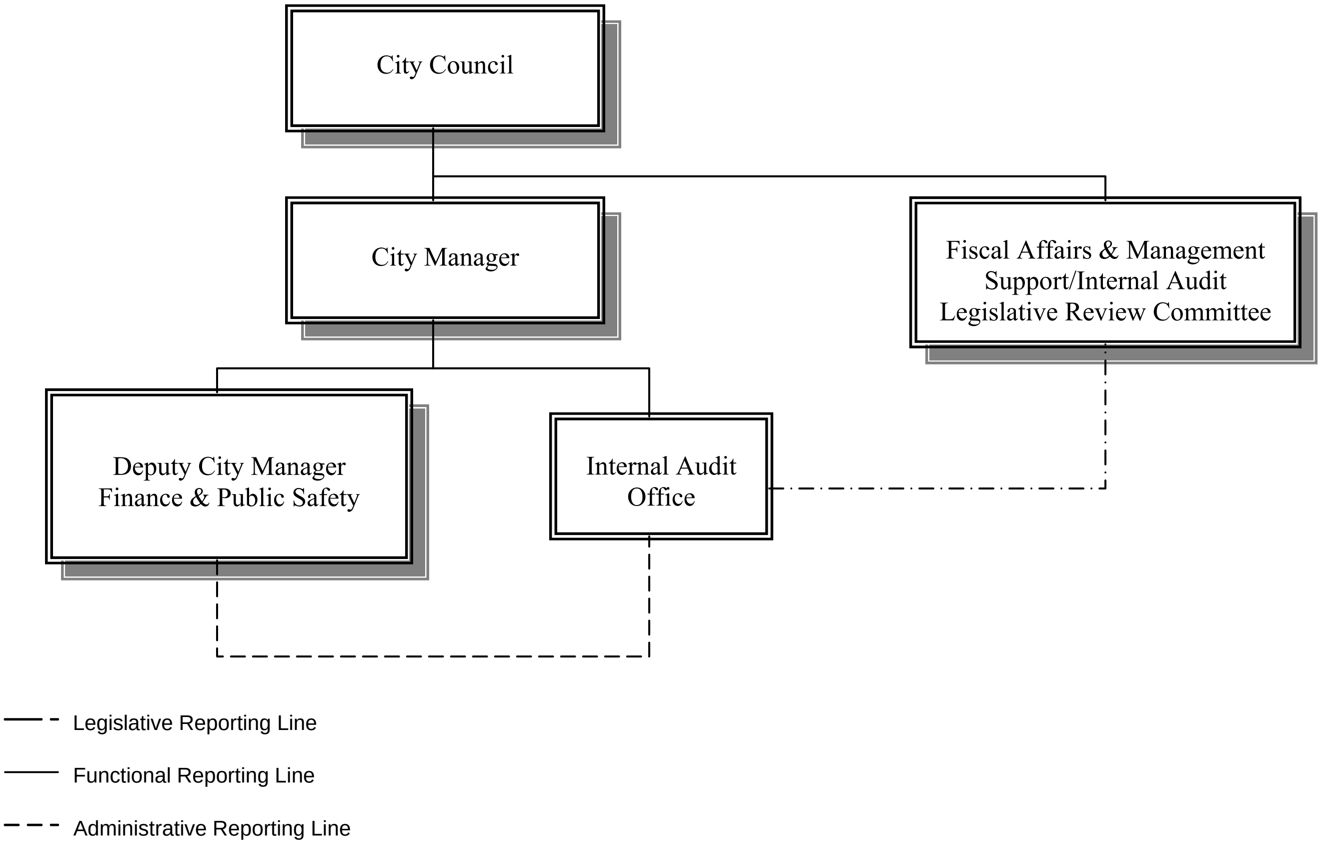
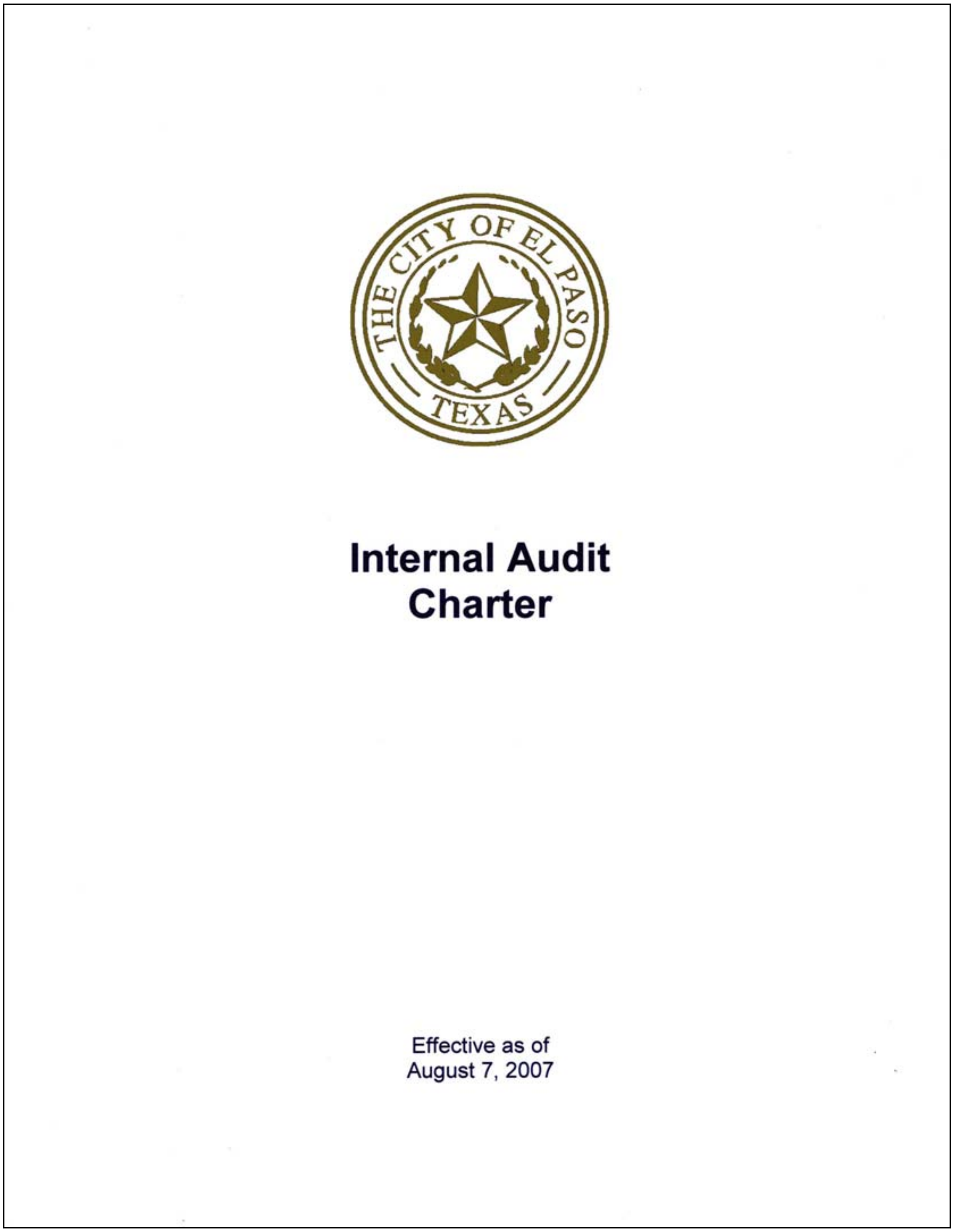
INTERNAL AUDIT OFFICE REPORTING STRUCTURE


City Council
City Manager
Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee
Deputy City Manager
Finance & Public Safety
Internal Audit Office
Legislative Reporting Line
Functional Reporting Line
Administrative Reporting Line

CITY OF EL PASO INTERNAL AUDIT CHARTER



Internal Audit Charter

Effective as of
August 7, 2007

Please press Control key and click on the above icon to access the PDF file.

MISSION STATEMENT

The mission of the Internal Audit Office is to provide independent, objective assurance and consulting services designed to add value and improve the City of El Paso's operations. The Internal Audit Office helps the management team of the City of El Paso accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the internal audit activity is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.
- Opportunities for improving management control, accountability, and the organization's image may be identified during audits. These opportunities will be communicated to the appropriate level of management.

INTRODUCTION

The Internal Audit Office provides independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit Office's Policy and Procedures Manual defines how the Internal Audit Office shall achieve its mission. The audits performed by the Internal Audit Office will be conducted in conformance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and in accordance with *Generally Accepted* *Government Auditing Standards* (GAGAS).

THE INSTITUTE OF INTERNAL AUDITORS

The Institute of Internal Auditors, Inc (IIA) was established in 1941 and serves over 170,000 members in internal auditing, risk management, governance, internal control, information technology, education, and security from more than 165 countries and territories. The IIA provides internal audit practitioners, executive management, boards of directors, and audit committees with standards, guidance, and information on best practices in internal auditing.

INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

All Internal Audit activities will be conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

The purpose of the *Standards* is to:

1. Delineate basic principles that represent the practice of internal auditing.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

The *Standards* consist of Attribute Standards (the 1000 Series), Performance Standards (the 2000 Series), and Implementation Standards (nnnn.Xn). The Attribute Standards address the attributes of organizations and individuals performing internal auditing. The Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. The Attribute and Performance Standards are also provided to apply to all internal audit services. The Implementation Standards apply the Attribute and Performance Standards to specific types of engagements (for example, a compliance audit, a fraud investigation, or a control self-assessment project). There is one set of Attribute and Performance Standards; however, there are multiple sets of Implementation Standards: a set for each of the major types of internal audit activity. The Implementation Standards have been established for assurance (A) and consulting (C) activities.

The *Standards* are part of the International Professional Practices Framework (IPPF). The three mandatory elements of the framework are the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*. The *Standards* employ terms that have specific meanings that are included in the Glossary of this manual.

THE STANDARDS

The purpose of the *Standards* is to:

1. Delineate basic principles that represent the practice of internal auditing.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations.

Attribute Standards

1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

1000.A1 – The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.

1000.C1 – The nature of consulting services must be defined in the internal audit charter.

1010 – Recognition of the Definition of Internal Auditing, the Code of Ethics, and the *Standards* in the Internal Audit Charter

The mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the *Standards* must be recognized in the internal audit charter. The chief audit executive should discuss the Definition of Internal Auditing, the Code of Ethics, and the *Standards* with senior management and the board.

1100 – Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

1110 – Organizational Independence

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.

1110.A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

1111 – Direct Interaction With the Board

The chief audit executive must communicate and interact directly with the board.

1120 – Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.

1130 – Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

1130.A1 – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2 – Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.

1130.C1 – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2 – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 – Proficiency

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

1210.A1 – The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2 – Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3 – Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1 – The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 – Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1 – Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management, and control processes;
- Probability of significant errors, fraud, or noncompliance; and
- Cost of assurance in relation to potential benefits.

1220.A2 – In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3 – Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1 – Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results;
- Relative complexity and extent of work needed to achieve the engagement's objectives; and
- Cost of the consulting engagement in relation to potential benefits.

1230 – Continuing Professional Development

Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

1300 – Quality Assurance and Improvement Program

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness. This program includes periodic internal and external quality assessments and ongoing internal monitoring. Each part of the program should be designed to help the internal auditing activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with the *Standards* and the *Code of Ethics*.

1310 – Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both internal and external assessments.

1311 – Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.

1312 – External Assessments

External assessments, such as quality assurance reviews, must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization.

1320 – Reporting on the Quality Assurance and Improvement Program

The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.

1321 – Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing"

The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement program support this statement.

1322 – Disclosure of Noncomformance

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.

Performance Standards

2000 – Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.

2010 – Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.

2010.A1 – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.C1 – The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.

2020 – Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 – Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

2040 – Policies and Procedures

The chief audit executive must establish policies and procedures to guide the internal audit activity.

2050 – Coordination

The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

2060 – Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.

2100 – Nature of Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

2110 – Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organization;
- Ensuring effective organizational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organization; and
- Coordinating the activities of and communicating information among the board, external and internal auditors, and management.

2110.A1 – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

2110.A2 – The internal audit activity must assess whether the information technology governance of the organization sustains and supports the organization's strategies and objectives.

2110.C1 – Consulting engagement objectives must be consistent with the overall values and goals of the organization.

2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

2120.A1 – The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations, and contracts.

2120.A2 – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

2120.C1 – During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2120.C2 – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes.

2120.C3 – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 – Control

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations, and contracts.

2130.A2 – Internal auditors should ascertain the extent to which operating and program goals and objectives have been established and conform to those of the organization.

2130.A3 – Internal auditors should review operations and programs to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended.

2130.C1 – During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

2130.C2 – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organizations' control processes.

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.

2201 - Planning Considerations

In planning the engagement, internal auditors must consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness of the activity's risk management and control processes compared to a relevant control framework or model; and
- The opportunities for making significant improvements to the activity's risk management and control processes.

2201.A1 – When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1 - Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.

2210 – Engagement Objectives

Objectives must be established for each engagement.

> **2210.A1** – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.
>
> **2210.A2** – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.
>
> **2210.A3** – Adequate criteria are needed to evaluate controls. Internal auditors must ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management to develop appropriate evaluation criteria.
>
> **2210.C1** – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.

2220 – Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

> **2220.A1** – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.
>
> **2220.A2** – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.
>
> **2220.C1** – In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations should be discussed with the client to determine whether to continue with the engagement.

2230 – Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

2240 – Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.

2240.A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

2240.C1 – Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 – Performing the Engagement

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

2310 – Identifying Information

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement’s objectives.

2320 – Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

2330.A1 – The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.A2 – The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization’s guidelines and any pertinent regulatory or other requirements.

2330.C1 – The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization’s guidelines and any pertinent regulatory or other requirements.

2340 – Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

2400 – Communicating Results

Internal auditors must communicate the engagement results.

2410 – Criteria for Communicating

Communications must include the engagement’s objectives and scope as well as applicable conclusions, recommendations, and action plans.

2410.A1 – Final communication of engagement results must, where appropriate, contain the internal auditors' overall opinion and/or conclusions.

2410.A2 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.

2410.C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

2421 – Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

2430 – Use of "Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*"

Internal auditors may report that their engagements are "conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*," only if the results of the quality assurance and improvement program support the statement.

2431 – Engagement Disclosure of Nonconformance

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts a specific engagement, communication of the results must disclose the:

- Principle or rule of conduct of the Code of Ethics or Standards(s) with which full conformance was not achieved;
- Reason(s) for nonconformance; and
- Impact of nonconformance on the engagement and the communicated engagement results.

2440 – Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

2440.A1 - The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2 - If not otherwise mandated by legal, statutory or regulatory requirements, prior to releasing results to parties outside the organization, the chief audit executive must:

- Assess the potential risk to the organization;

- Consult with senior management and/or legal counsel as appropriate; and
- Control dissemination by restricting the use of the results.

2440.C1 - The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2 – During consulting engagements, governance, risk management, control, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.

2500 – Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 - The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 – Resolution of Senior Management's Acceptance of Risks

When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive must report the matter to the board for resolution.

THE INSTITUTE OF INTERNAL AUDITORS CODE OF ETHICS

Introduction

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing.

> *Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control. The Institute's Code of Ethics extends beyond the Definition of Internal Auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics together with The Institute's International Professional Practices Framework and other relevant Institute pronouncements provide guidance to internal auditors serving others. "Internal auditors" refers to Institute members, recipients of or candidates for IIA professional certifications, and those who perform internal auditing services within the Definition of Internal Auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that perform internal audit services.

For Institute members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Bylaws and Administrative Directives. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.

Principles

Internal auditors are expected to apply and uphold the following principles:

Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

1. Integrity

Internal auditors:

1.1. Shall perform their work with honesty, diligence, and responsibility.

1.2. Shall observe the law and make disclosures expected by the law and the profession.

1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.

1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.

2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.

2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2. Shall perform internal auditing services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

PROFICIENCY AND DUE PROFESSIONAL CARE

The Internal Audit Office's policies and procedures are intended to assure that internal auditors exhibit proficiency and exercise due professional care when performing audits.

Internal auditors and the Internal Audit Office, collectively, shall exhibit proficiency, which means they shall possess the necessary knowledge, skills and competencies needed to conduct an engagement appropriately. Auditors shall enhance their knowledge, skills, and other competencies through continuing professional development. Listed below are the training requirements for The City of El Paso's Internal Auditors:

- Certified employees will be required to get 40 CPE hours annually.
- Non-Certified employees will be required to get 20 CPE hours annually.
- At least 24 hours of CPE hours, in a 2 year period, should be directly related to government auditing or the government environment.

The Chief Internal Auditor may obtain competent advice or assistance from experts outside the internal audit activity to support or complement areas where the internal audit activity is not sufficiently proficient.

The Internal Audit activity is to render the care and skill expected of a reasonably prudent and competent internal auditor in the same or similar circumstances. Due professional care is therefore appropriate to the complexities of the engagement being performed. In exercising due professional care, internal auditors should be alert to the possibility of fraud, intentional wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, and conflicts of interest. They shall also be alert to those conditions and activities where irregularities are most likely to occur. Auditors will use reasonable audit skill and judgment when performing audits.

The Internal Audit Office standard of "due professional care" implies reasonable care and competence, not infallibility or extraordinary performance. Auditors are expected to conduct examinations and verifications to a reasonable extent, with an appropriate degree of testing transactions. Accordingly, the internal auditor cannot give absolute assurance that noncompliance or irregularities do not exist. Nevertheless, the possibility of material irregularities or noncompliance should be considered whenever the internal auditor undertakes an internal audit assignment. Auditor and supervisory practices include a determination of the appropriate type and degree of interviewing, system review and testing to provide proper due care.

CONFIDENTIALITY AND ETHICAL BEHAVIOR

Staff members of the Internal Audit Office must be trustworthy, and maintain the confidentiality of all matters and information obtained in the course of audit business. Any breach of confidentiality can result in written reprimand and/or immediate termination of employment.

All Internal Audit Office staff will maintain a high level of professional behavior in all their endeavors and treat auditees and other City of El Paso employees with the utmost respect and sensitivity at all times. The internal auditors shall, to the maximum extent possible, have no authority over, or responsibility for, any of the activities audited, and shall not perform accounting or other operational functions outside their organization that might require subsequent audit.

Internal Audit Office staff will follow all policies and procedures established by the City of El Paso and adhere to the Code of Ethics, established by the Institute for Internal Auditors.

INTERNAL AUDIT SECURITY POLICIES

The Internal Audit Office shall adhere to stringent policies to secure information, which is gathered during the course of audit work. The Internal Audit Office's security policies are listed below:

- Access to the Internal Audit Office offices shall be limited to times only when audit staff is present.

- Staff of the Internal Audit Office will lock or log off their computer whenever they leave their desk. All Internal Audit Office computers will be logged off at the end of each day.

- Staff of the Internal Audit Office will not share their network or application passwords with anyone, or allow any individual to use any City of El Paso owned application while signed on to the Internal Audit staff's username. Staff of the Internal Audit Office will adhere to all password and application policies of the City of El Paso.

- Work papers and audit information should not be shared or disclosed to anyone who is not a staff member of the Internal Audit Office without the approval of the Chief Internal Auditor.

- Proper precaution should be taken to safeguard Internal Audit Office information at all times.

- All unused documents containing sensitive and/or confidential information shall be shredded.

INTERNAL AUDIT OFFICE GENERAL POLICIES

Professional Appearance Standards

The Internal Audit Office staff shall project a professional image in their appearance. The standard for the department is business professional, which is appropriate for attending a professional business meeting with management. In addition, staff shall abide by the appearance standards established by the City of El Paso's policy and procedures regarding appearance standards. The Chief Internal Auditor will identify business casual days.

Business Hours

The Internal Audit Office's core business hours are 8:00 a.m. – 5:00 p.m. Staff members that are classified as exempt shall observe the four hour rule (five hour rule if on a 4/10 schedule), which states that any time away from the office exceeding four hours must be submitted on a City of El Paso leave form. Staff shall notify the Chief Internal Auditor or Audit Manager regarding time away from the office. The Chief Internal Auditor or the Audit Manager must approve time away from the office.

The Internal Audit Office will work a professional 40-hour workweek. However, the workload will occasionally require extended work hours. Therefore, Internal Audit staff is encouraged to take a daily lunch break and regular breaks.

Use of Private Vehicle

The Internal Audit Office's staff shall record their mileage when using a personal vehicle while working on audits and City related business. The Chief Internal Auditor shall approve all requests for reimbursement.

Vacation

The Internal Audit Office is encouraged to take accrued annual vacation leave. The Chief Internal Auditor or Audit Manager shall approve vacation requests.

Sick Leave

The Internal Audit Office Staff shall notify the Chief Internal Auditor or Audit Manager when they take sick leave. Notification shall be made by 8:30 a.m. (7:30 if on a 4/10 schedule). In addition, staff shall observe the City of El Paso policies regarding sick leave.

DEPARTMENTAL PLANNING

The Chief Internal Auditor and Internal Audit staff shall plan all the Internal Audit Office's activities. The Annual Audit Plan will be based on an annual risk assessment. The Annual Audit Plan will be consistent with the City of El Paso's goals, the Internal Audit Office's charter, and policies and procedures. The engagements that will be included in the Annual Audit Plan shall include engagements that improve management of risks, add value, and improve operations.

The Annual Audit Plan will be sufficiently comprehensive to ensure the complete and effective review of the City's auditable activities on a cyclical basis and allow flexibility to accommodate special tasks and projects requested by the City Manager or the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee. The City Manager and the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee shall approve the Annual Risk Assessment and Audit Plan. The Chief Internal Auditor will assign all Internal Audit staff member's assignments and audit activities.

Listed below are the Internal Audit Office planning policies:

- All Internal Audit staff members, including the Chief Internal Auditor, will track their time spent on audit engagements and general administrative duties using a time and effort database. A quarterly activity report will be provided to the City Manager and the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee.
- The City Manager and Fiscal Affairs& Management Support/Internal Audit Legislative Review Committee shall approve the Annual Audit Plan and any revisions.
- The Chief Internal Auditor will monitor work schedules to assure engagement deadlines are met and increase resources if necessary. Internal Audit staff will keep Chief Internal Auditor updated on audit work progress and notify Chief Internal Auditor if additional audit hours are needed to complete engagement.

COSO: INTERNAL CONTROL - INTEGRATED FRAMEWORK

The Annual Risk Assessment is based on the COSO model, which helps to identify and prioritize auditable areas based of the risks pertaining to the achievement of the City of El Paso's objectives.

Executive management and the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee are vitally interested in the adequacy and appropriateness of the enterprise's system of internal control. That is why the City's Internal Audit Office follows the COSO model when conducting audit work.

The data presented in this procedure was extracted from the Executive Summary of *Internal Control - Integrated Framework*. That document was prepared in response to recommendations of the National Commission on Fraudulent Financial Reporting, commonly referred to as the Treadway Commission. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) was formed to support implementation of Treadway Commission recommendations and issued its report *Internal Control - Integrated Framework* in September, 1992.

Internal control consists of five interrelated components. These are derived from the way management runs a business, and are integrated with the management process. The components are:

- *Control Environment* - The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee.

- *Risk Assessment* - Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

- *Control Activities* - Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

- *Information and Communication* - Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Information systems produce reports containing operational, financial and compliance-related information, which make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information to management. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

- *Monitoring* - Internal control systems need to be monitored—a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the committee.

There is synergy and linkage among these components, forming an integrated system that reacts dynamically to changing conditions. The internal control system is intertwined with the entity's operating activities and exists for fundamental business reasons. Internal control is most effective when controls are built into the entity's infrastructure and are a part of the essence of the enterprise. "Built in" controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions.

There is a direct relationship between the three categories of objectives, which are what an entity strives to achieve, and components, which represent what is needed to achieve the objectives. All components are relevant to each objectives category. When looking at any one category—the effectiveness and efficiency of operations, for instance, all five components must be present and functioning effectively to conclude that internal control over operations is effective.

The internal control definition, with its underlying fundamental concepts of a process, affected by people, providing reasonable assurance—together with the categorization of objectives and the components and criteria for effectiveness, and the associated discussions, constitute this internal control framework.

Roles and Responsibilities

Everyone in an organization has responsibility for internal control.

- *Management* - The City Manager is ultimately responsible and should assume "ownership" of the system. More than any other individual, the chief executive sets the "tone at the top" that affects integrity and ethics and other factors of a positive control environment. The City Manager fulfills this duty by providing leadership and direction to senior managers and reviewing the way they're controlling the business. Senior managers, in turn, assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. In a cascading responsibility, a manager is effectively a chief executive of his or her sphere of responsibility. Of particular significance are financial officers and their staffs, whose control activities cut across, as well as up and down, the operating and other units of an enterprise.
- *Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee* - Management is accountable to the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee, which provide governance, guidance and oversight. Effective committee members are objective, capable and inquisitive. They also have knowledge of the entity's activities and environment, and commit the time necessary to fulfill their committee responsibilities. Management may be in a position to override controls and ignore or stifle communications from subordinates, enabling a dishonest management, which intentionally misrepresents results, to cover its tracks. A strong, active board, particularly when coupled with effective upward communications channels and capable financial, legal and internal audit functions, is often best able to identify and correct such a problem.
- *Internal Auditors* - Internal auditors play an important role in evaluating the effectiveness of control systems, and contribute to ongoing effectiveness. Because of organizational position and authority in an entity, an internal audit function often plays a significant monitoring role.
- *Other Personnel* - Internal control is, to some degree, the responsibility of everyone in an organization and therefore should be an explicit or implicit part of everyone's job description. Virtually all employees produce information used in the internal control system or take other actions needed to effect control. Also, all personnel should be responsible for communicating upward problems in operations, noncompliance with the code of conduct, or other policy violations or illegal actions.

A number of external parties often contribute to achievement of an entity's objectives. External auditors, bringing an independent and objective view, contribute directly through the financial statement audit and indirectly by providing information useful to management and the board in carrying out their responsibilities. Others providing information to the entity useful in effective internal control are legislators and regulators, customers and others transacting business with the City of El Paso, financial analysts, and the news media. External parties, however, are not responsible for, nor are they a part of, the entity's internal control system.

INTERNAL AUDIT OFFICE REPORTING STRUCTURE

The Chief Internal Auditor shall report functionally to the City Manager, administratively to the Deputy City Manager for Finance and Public Safety, and legislatively to the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee. In addition, the Internal Audit Office shall have the support of senior management.

Legislative reporting to the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee helps assure Internal Audit’s independence, authority, ensure broad audit coverage, adequate communication, and appropriate engagement recommendations. The Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee duties shall include the following:

- Approve the City of El Paso Internal Audit Charter.
- Approve the internal audit risk assessment and related audit plan.
- Meet with the Chief Internal Auditor without the presence of management. The Chief Internal Auditor shall have open and direct access to the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee and regularly attend committee meetings.
- Inquire of management and the Chief Internal Auditor to determine if there are budgetary or scope limitations that may impede the Internal Audit Office’s ability to execute their responsibilities.

Administrative reporting to the Deputy City Manager for Finance & Public Safety entails the day-to-day operation of the Internal Audit Office, which shall include the following:

- Budgeting and accounting.
- Human resource administration.
- Enable adequate communications and information flow enabling the Chief Internal Auditor and the Internal Audit Office to have an adequate and timely flow of information concerning the activities, plans, and business initiatives of the City of El Paso.
- Administration of the City of El Paso's policies and procedures.

LIST OF SERVICES PROVIDED BY INTERNAL AUDIT OFFICE

Internal auditing works to assist management in accomplishing the City of El Paso's goals and objectives. The Internal Audit Office strives to provide the highest quality auditing, advisory, and consulting services to its customers. The Internal Audit Office assists all levels of management to assure that resources are being managed and accounted for and that the City of El Paso is complying with policies, procedures, accounting standards, regulations, and laws.

The efficiency of the City of El Paso is affected by the quality of its management control. Effective management control begins with good planning and appropriately delegated authority and continues through performance and reporting the results of that performance. An effective management control system encourages adherence to policies and procedures and includes carefully designed standards of performance by which an activity functions and by which the activity is measured and evaluated. Operations may be adjusted, if necessary, based on the results of measuring and evaluating activity function.

The Internal Audit Office strategy is responsive to the needs of the City of El Paso and will assist management by performing the following types of audits:

1. **Financial auditing -** To determine the sufficiency of the system of internal control for assuring that internal control objectives pertaining to authorization, recording, and reporting of business activities and safeguarding of assets are attained. Financial auditing will also determine the consistency of reporting financial information in conformance with Generally Accepted Accounting Principles.
2. **Operational auditing** – To determine whether operational controls, as a whole, achieve a reasonable degree of efficiency and effectiveness. In addition, evaluate the extent to which operational goals and objectives are accomplished.
3. **Information Systems auditing** – To determine the sufficiency of internal controls for reasonably assuring that systems activities capture, process, store, and transmit data accurately, completely, and efficiently. Confirm system security and backup of data and identify and evaluate contingency and disaster recovery procedures.
4. **Internal control auditing –** To determine if management has identified risk and is managing it by establishing planning, organizing and directing the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved. The control environment includes the following elements:
    - Integrity and ethical values.
    - Management's philosophy and operating style.
    - Organizational structure.
    - Assignment of authority and responsibility.
    - Human resource policies and practices.
    - Competence of personnel.
5. **Compliance auditing** – To determine conformity and adherence to policies, plans, procedures, laws, regulations contracts and other requirements.
6. **Consulting** – Advisory services which are agreed upon by the client and are intended to add value and improve the City of El Paso's governance, risk management, and control processes without the Internal Auditor assuming management responsibility, for example, counsel, advice, facilitation, and training.

The City of El Paso Internal Audit Office will meet its objectives by providing independent, objective audit and consulting service by providing the following services:

- Identifying and reducing significant risk exposures and effectiveness of risk management.
- Evaluating the adequacy of internal controls.
- Verifying the existence of assets and ensuring the proper safeguards for their protection.
- Assessing compliance with applicable laws, regulations, policies and procedures.
- Conducting training workshops.
- Conducting investigation of allegations of fraud, embezzlement and theft.
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations.
- Appraising the economy and efficiency with which resources are employed.
- Reviewing operations and goals to ascertain whether results are consistent with established objectives and whether the operations or programs are being carried out as planned.
- Performing special request projects as directed by senior management.
- Coordinating external audit engagements.
- Being available to City of El Paso staff to receive potential allegations of improprieties.

To carry out these services, City of El Paso Internal audit staff members shall have authorization to have full and unrestricted access to all documents and records pertaining to the audit assignment, including purchasing, accounting, property, and personnel documents and records.

HOW INTERNAL AUDIT OFFICE SELECTS AREAS TO AUDIT

The Internal Audit Office uses different methods in determining which areas to audit. Audit projects are primarily chosen based on the annual risk assessment, which results in the annual audit plan. Contingency audit hours are available to conduct special projects assigned by the City Manager and/or Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee, which may include fraud investigations.

Selection Based On Risk Assessment

The primary method of selecting an area to audit is by performing a risk assessment. A risk assessment uses several risk criteria to evaluate risk. Examples of criteria include; management interest; financial impact, length of time since the department’s last audit; and changes within the department. The potential audit areas are scored using the criteria. The areas with the highest score are ranked as the greatest risk potential. These areas are given the highest priority when generating the annual audit plan. The Risk Areas are: Management Interest, High Level Decentralization, Legal Claims, Strategic Risk, Compliance Risk, Budget Risk, Reputation Risk, Time Last Audited, and Change in Management. See attachment “A” Risk Assessment for an example.

Annual Audit Plan

Each fiscal year the Internal Audit Office prepares the annual audit plan and presents it to the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee and Executive Management for approval. The Annual Audit Plan identifies audit projects for the year. It also outlines the resources in staff and time required for each project. The Annual Audit Plan may be amended during the fiscal year for requested audits, projects, or changes in priorities. See attachment “B” Audit Plan Shell for an example.

Special Projects

On occasion, the Internal Audit Office will deviate from the Annual Audit Plan schedule to work on special projects that require immediate attention, for example fraud, or areas of special interest to management. The Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee shall approve changes in audit schedules.

Attachment “A”

Weighting	15%	15%	15%	15%	10%	10%	10%	5%	5%		100%
	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5 for 2005 to 1 for 2009	1 for 2005 to 5 for 2009		
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**		
Description	**Management Interest**	**Budget Risk**	**Strategic Risk**	**Reputation Risk**	**Compliance Risk**	**High Level Decentralization**	**Legal Claims**	**Time last Audited**	**Change in Mgt**	**Raw Total**	**Weighted Total**
Mayor & City Council											
Mayor's Office											
Council District #1 Office											
Council District #2 Office											
Council District #3 Office											
Council District #4 Office											
Council District #5 Office											
Council District #6 Office											
Council District #7 Office											
Council District #8 Office											
City Manager											
City Manager's Office											
Public Information Office											
City Channel 15											
Switchboard											
Internal Audit Office											
City Attorney Office											
Trial											
Transactional											
Administration											
DCM Finance & Public Safety											
Human Resources											
Recruitment/Hiring/Termination											
Civil Service Commission											

Weighting	15%	15%	15%	15%	10%	10%	10%	5%	5%		100%
	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5 for 2005 to 1 for 2009	1 for 2005 to 5 for 2009		
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**		
Description	**Management Interest**	**Budget Risk**	**Strategic Risk**	**Reputation Risk**	**Compliance Risk**	**High Level Decentralization**	**Legal Claims**	**Time last Audited**	**Change in Mgt**	**Raw Total**	**Weighted Total**
Training											
EEOC & FMLA Compliance											
HR Information System											
Employee Records											
Administration											
Financial Services											
Hotel Occupancy Tax											
Purchasing											
Capital Asset Management											
Procurement Card											
Grant Accounting											
City Auctions											
Financial Reporting											
Financial/Fiscal Operations											
Systems Accounting Mgt											
Treasury Management											
Office of Management & Budget											
Annual Budget Management											
Insurance & Benefits											
Risk Management											
Non-Departmental											
Municipal Clerk											
Municipal Court Admin											
Elections											
City Clerk Office											
Records & Archival Mgt & Analysis											

Weighting	15%	15%	15%	15%	10%	10%	10%	5%	5%		100%
	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5 for 2005 to 1 for 2009	1 for 2005 to 5 for 2009		
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**		
Description	**Management Interest**	**Budget Risk**	**Strategic Risk**	**Reputation Risk**	**Compliance Risk**	**High Level Decentralization**	**Legal Claims**	**Time last Audited**	**Change in Mgt**	**Raw Total**	**Weighted Total**
Tax Office											
Collections											
Administration											
Cashiers											
Police Department											
Training											
Auxiliary Support Division											
Special Services Division											
Public Integrity Unit											
Public Affairs											
Professional Responsibility Unit											
Chief of Police Office											
Administrative Services Bureau											
Fiscal Activities											
Payroll & Overtime											
Grant Management											
Operations											
Fleet Management											
Regional Command Centers											
Directed Investigations											
Criminal Investigation Division											
Community Policing											
Fire Department											
Fire Chief Office											
Operations											
Fire Medical											

Weighting	15%	15%	15%	15%	10%	10%	10%	5%	5%		100%
	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5 for 2005 to 1 for 2009	1 for 2005 to 5 for 2009		
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**		
Description	**Management Interest**	**Budget Risk**	**Strategic Risk**	**Reputation Risk**	**Compliance Risk**	**High Level Decentralization**	**Legal Claims**	**Time last Audited**	**Change in Mgt**	**Raw Total**	**Weighted Total**
Fire Operations											
Airport Rescue Firefighters											
Support											
Training											
Special Operations											
Safety											
Communications											
Administrative Support											
Administration – Payroll & OT											
Fire Prevention											
Planning											
Emergency Management-EOC											
DCM Quality of Life											
Museums & Cultural Affairs											
Museum of Art											
Museum of History											
Museum of Archaeology											
Cultural Affairs											
SMG – Plaza Theater											
SMG – Civic Center											
Community & Human Development											
Grant Administration											
Neighborhood Redevelopment											
Housing											
Public Services											

Weighting	15%	15%	15%	15%	10%	10%	10%	5%	5%		100%
	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5 for 2005 to 1 for 2009	1 for 2005 to 5 for 2009		
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**		
Description	**Management Interest**	**Budget Risk**	**Strategic Risk**	**Reputation Risk**	**Compliance Risk**	**High Level Decentralization**	**Legal Claims**	**Time last Audited**	**Change in Mgt**	**Raw Total**	**Weighted Total**
Library											
Administration											
Main											
Branches											
Trans Pecos System											
Technical Services											
Parks and Recreation											
Facilities Maintenance											
Sports											
Recreation											
Land Management											
Administration											
Zoo											
Facilities Maintenance											
Animal Collections											
Animal Health											
Administration											
Public Health Department											
Immunization Clinics											
Food Program											
Animal Services											
TB Clinic											
STD Clinic											
Dental Clinic											

Weighting	15%	15%	15%	15%	10%	10%	10%	5%	5%		100%
	5-High	5-High	5-High	5-High	5-High	5-High	5-High	5 for 2005	1 for 2005		
	to	to	to	to	to	to	to	to	to		
	1-Low	1-Low	1-Low	1-Low	1-Low	1-Low	1-Low	1 for 2009	5 for 2009		
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**		
Description	**Management Interest**	**Budget Risk**	**Strategic Risk**	**Reputation Risk**	**Compliance Risk**	**High Level Decentralization**	**Legal Claims**	**Time last Audited**	**Change in Mgt**	**Raw Total**	**Weighted Total**
DCM Development & Infrastructure Services											
Environmental Services											
Solid Waste Management											
Environmental Management											
Recycling Program											
Development Services											
Planning											
Building Permits & Inspections											
Business Customer Services Center											
Engineering Services											
Capital Projects											
Traffic Management											
General Services											
Fleet Service											
Building Maintenance											
Quick Copy Administration											
Mailroom											
Information Technology											
IT Security											
Public Safety Technology											
Systems Software											
Information Services											
Administration											
Licensing											

Weighting	15%	15%	15%	15%	10%	10%	10%	5%	5%		100%
	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5-High to 1-Low	5 for 2005 to 1 for 2009	1 for 2005 to 5 for 2009		
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**		
Description	**Management Interest**	**Budget Risk**	**Strategic Risk**	**Reputation Risk**	**Compliance Risk**	**High Level Decentralization**	**Legal Claims**	**Time last Audited**	**Change in Mgt**	**Raw Total**	**Weighted Total**
Geographic Information Systems											
E-Commerce											
Economic Development											
Economic Development Admin											
Outside Contracts											
DCM Mobility Services											
Streets											
Street & Drainage											
Traffic											
International Bridges											
Mass Transit – Sun Metro											
Administration & Development											
Accounting & Admin											
Planning/Program Mgt											
Community Relations											
Operations & Maintenance											
Transit Operations											
Maintenance											
Aviation Department											
Revenue Income Streams											
Operations & Security											
Foreign Trade Zone No.68											
Development											
Administration											
Metropolitan Planning Organization											

Attachment “B”

City of El Paso
Internal Audit Office
2009-2010 Audit Plan

		Audit Hours		Admin Hours		Training Hours		Holiday/Leave Hours
First Quarter								
Dept Name								
Dept Name								
Total for Quarter								
Second Quarter								
Dept Name								
Dept Name								
Total for Quarter								
Third Quarter								
Dept Name								
Dept Name								
Total for Quarter								
Fourth Quarter								
Dept Name								
Dept Name								
Total for Quarter								
Grand Total								

PERFORMING THE AUDIT: AN OVERVIEW

I. Planning (forms)
  A. Assemble Audit File:
    1. Quality Assurance Program (QAP) Worksheet
    2. Audit Control Sheet
    3. Checklist for Working Papers
    4. Audit/Project Assignment Sheet
    5. Auditor's Objectivity Statement
    6. Auditor's Technical Knowledge and Competence Statement
    7. Checklist for Understanding the Audit Assignment and Scope
    8. Entrance Meeting Checklist
    9. Exit Meeting Checklist
  B. Obtain Background Information
    1. Organizational chart
    2. Mission statement (if any)
    3. Goals and objectives
    4. Relevant policies, procedures, laws, etc.
    5. Brief history or background of audit area.
    6. Create archive file for information, which can be used for future audits.
    7. Review audits from prior years; work papers, notes, and report.
  C. Issue an Engagement Letter
  D. Complete the Entrance Conference Checklist
  E. Perform Internal Control Risk Assessment
    1. Identify at-risk areas, given the scope and objective of the audit.
    2. Administer an Internal Control Questionnaire (ICQ).
    3. Review the ICQ and conduct additional audit procedures (interviews, personal observations, etc.), if needed.
    4. Document your assessment of the at-risk areas.
    5. Ensure audit procedures are tailored to address associated risks.
  F. Write the Audit Program.
  G. Prepare a Planning Memorandum.
  H. Obtain Chief Internal Audit's approval of Audit Program.

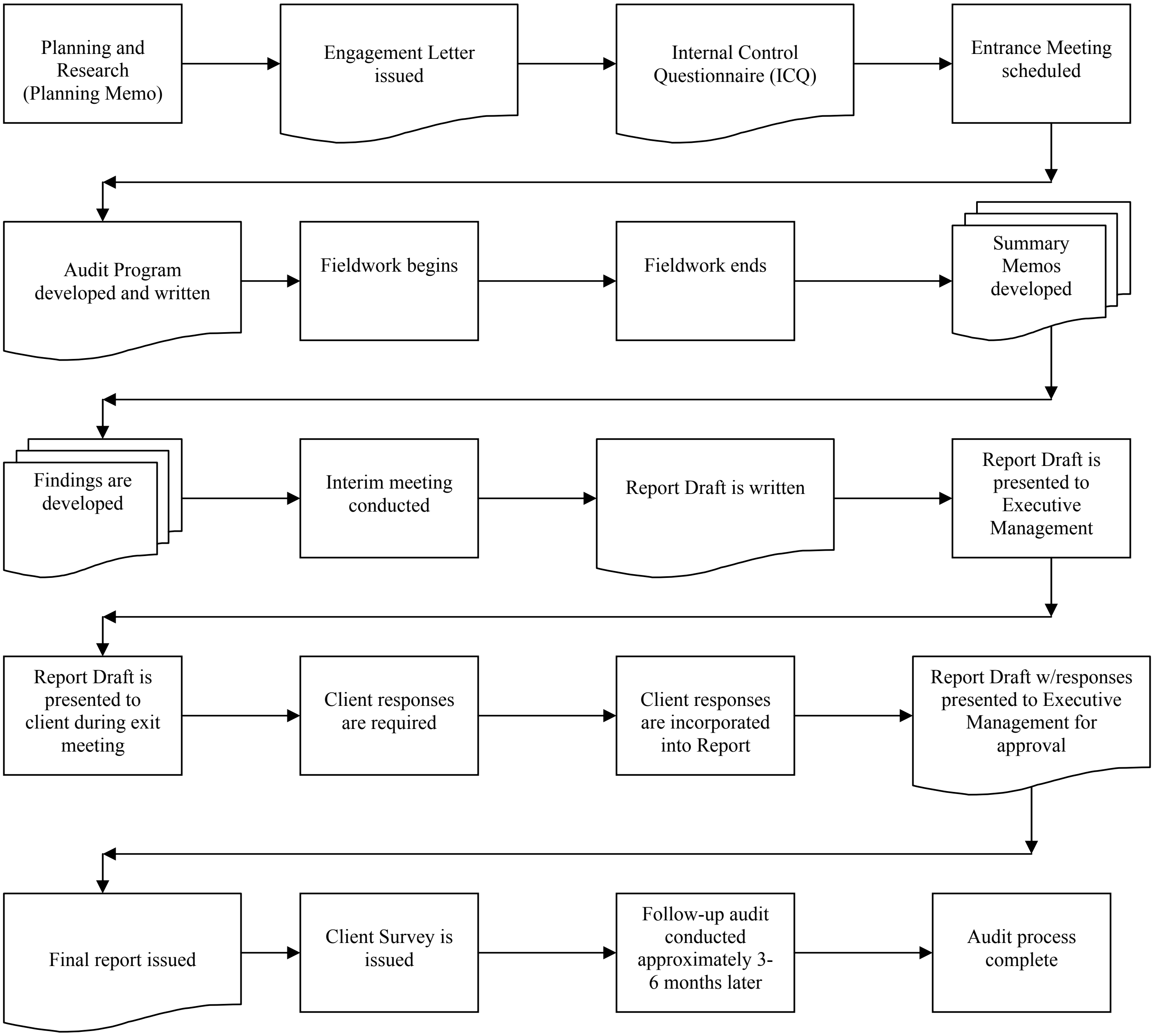
II. Perform Audit Fieldwork
  A. Divide Audit Program into major sections.
  B. Complete each individual section of the Audit Plan.
  C. Complete a Summary Memo for each section completed.
  D. Submit each completed section to the Audit Manager or Chief Internal Auditor for work paper review.
  E. Clear review points.
  F. Continue with each section until Fieldwork is completed.
  G. Prepare Potential Finding Worksheets for each potential finding.

III. Reporting the Results
  A. Prepare a draft version of the Audit Report.
  B. Cross-reference the draft of the Audit Report to the work papers.
  C. Complete the Checklist for Working Papers.
  D. Submit working papers for peer review.
  E. Clear working papers review points.

IV. Concluding the Audit
  A. Issue a draft of Audit Report to Executive Management for review.
  B. Modify Audit Report accordingly.
  C. Schedule an Exit Meeting and complete Exit Meeting Checklist.

D. Issue a draft copy of the Audit Report to Auditee.
E. Incorporate management's responses in the Audit Report.
F. Submit the entire file to the Chief Internal Auditor for final review.
G. Clear working paper review points.
H. Issue the Audit Report.
I. Submit audit file for Quality Assurance Program (QAP) review.
J. File the audit file in a secured file cabinet.
K. Conduct Audit debrief.
L. Distribute Audit survey to client.
M. Update permanent file and place in filing cabinet.

The following flow chart illustrates the City's Internal Audit process:


Planning and Research (Planning Memo)
Engagement Letter issued
Internal Control Questionnaire (ICQ)
Entrance Meeting scheduled
Audit Program developed and written
Fieldwork begins
Fieldwork ends
Summary Memos developed
Findings are developed
Interim meeting conducted
Report Draft is written
Report Draft is presented to Executive Management
Report Draft is presented to client during exit meeting
Client responses are required
Client responses are incorporated into Report
Report Draft w/responses presented to Executive Management for approval
Final report issued
Client Survey is issued
Follow-up audit conducted approximately 3-6 months later
Audit process complete

PERFORMING THE AUDIT: DETAILED GUIDELINES

The Standards of Internal Auditing are the pillars upon which the practice of Internal Auditing is founded. It is the internal audit procedures, which guide the internal auditors through the proper performance of internal auditing. This section is therefore devoted to outlining the basic criteria in the proper application of these procedures.

Annual Audit Plan

The City of El Paso's fiscal year is September 1 through August 31. An annual audit plan is prepared to coincide with the fiscal year. The annual audit plan is based on:

- Analysis of prior year's financial statements
- Analysis of current Operating Budgets
- A formal risk assessment using a weighted average calculation
- Federal, state and other authoritative body requirements
- Audit areas to be covered by external auditors
- Auditor judgment

When the audit plan is completed, it is submitted to the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee. The plan should be coordinated with the work of external auditors to avoid duplication of efforts.

The audit plan will also include budgeted time for Special Requests, Office Administration, Vacation, Holiday and Sick Leave, and Training and Seminars.

Guidelines for reporting individual time, accruing leave, holidays and other attendance policies are addressed in the **Internal Audit Office General Policy** section of this manual.

In charge assignments are usually made at the time that the Annual Audit Plan is prepared but these are subject to change. Staff assignments are made based on staff availability, areas of expertise and the need for on-the-job training.

Auditor Objectivity Statement

The Institute of Internal Audit (IIA) Standard number 1120 states that "Internal auditors should have an impartial, unbiased attitude and avoid conflict of interest." Accordingly staff assignments need to be made so that potential and actual conflicts of interest and bias are avoided.

Each auditor should report to the Chief Internal Auditor any situation in which a conflict of interest or bias is present or may reasonably be inferred.

During each fiscal year, each auditor should complete a Conflict of Interest Statement and during any audit engagement, each auditor should complete an Auditor Objectivity statement. If there are no conflicts of interest, this should also be documented. The Conflict of Interest Statement will be maintained in the Internal Audit Office's Quality Assurance Manual and the Objectivity statements will be placed in each audit engagement file. The Government Auditing Standards list the following examples of personal impairments.

1. Official, professional, personal, or financial relationships that might cause the auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant audit findings in any way.

2. Preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit.

3. Previous responsibility for decision making or managing an entity that would affect current operation of the entity or program being audited.

4. Biases including those induced by political or social convictions that result from employment in, or loyalty to a particular group, organization, or level of government.

5. Subsequent performance of an audit by the same individual who for example, had previously approved invoices, payroll, claims and other proposed payments of the entity or program being audited.

6. Concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records.

7. Financial interest, direct or substantially indirect, in the audited entity or program.

Audit Programs

Audit programs shall be the basis on fieldwork to be performed. They should take into consideration the IIA Performance Standards. Audit programs may be written formally or informally. The nature of the audit will determine the kind of audit program that needs to be written. Long, involved, and complex audits require formally written audit programs.

Small, routine audits can follow the same general framework of a formal audit program, but focused on the specific issue being audited.

The Internal Audit Office has a wide variety of professional literature that provides sample audit programs. Auditor judgment and the expertise of other auditors are also valuable resources when writing and audit program. The objectives of the audit shall be kept in mind when writing the audit program.

The Formal Audit Program

The Internal Audit Office uses a standardized audit program, which can be used on different types of audits. The audit program has signoffs and spaces for working paper references

The formal audit program should contain the following elements:

Objectives	What are the objectives of the audit assignment. Refer to the audit assignment sheet.
References	Reference materials of the Internal Audit Office.
Planning	Steps to help plan the audit. Examples: issue engagement letter and conduct entrance conference.
Fieldwork	Steps to achieve the audit objectives. Examples: testing of attributes and documentation of interviews with personnel.
Reporting	Reporting the audit results. Examples: completion of Potential Audit Findings Worksheet.

The Informal Audit Program

When a formal audit program has not been written, documentation of the audit procedures performed will be found in the Summary Memo/s located in the testing section of the audit folder. Remember that all audit working papers require documentation of the audit procedures performed.

Performing the Audit: General Guidelines

There are seven simple steps involved in performing an internal audit:

1. Planning the audit
2. Contacting the client
3. Risk Assessment (ICQ)
4. Risk Assessment
5. Performing the fieldwork
6. Preparing audit work papers
7. Maintaining on-going communications with the client

1. Planning the Audit

Planning the audit requires thoughtful consideration to the objective of the audit. When planning an audit ask yourself:

- Why am I doing this audit?
- Did someone request the audit?
- Is it part of the annual plan?
- Is it a financial audit?
- Is it a compliance audit? Who is the authoritative body?
- Where can I find the laws, regulations and/or policies I need to test for compliance?
- Is this an operational audit?
- How can I take the operations and separate them into specific identifiable functions to be tested?
- Who will be affected by this audit?
- Who will I need to talk to regarding this audit?
- Who can provide me with information regarding this audit?
- What kind of records am I going to need to examine?
- Where can I get these records?
- Will there be a time lag between the time I request the records and the time I receive them?
- What kinds of audit procedures will I need to perform to meet the audit objectives?

Complete the following checklists:

- Understanding the Audit assignment and Scope
- Planning the Audit

2. Contacting the Client

This is a critical part of the audit. It is important and extremely beneficial that the first contact be a positive one for everyone involved. All audits will require the use of an audit engagement letter to formally accomplish this task.

3. Risk Assessment Internal Control Questionnaire

The auditor should perform a risk assessment to determine if internal controls are functioning as intended by management. This risk assessment should provide the auditor with a determination of whether the risk level is High, Medium or Low. The initial step should involve the use of a basic internal control questionnaire to identify areas with a potential medium or high risk to determine if they are functioning.

4. Risk Assessment Documentation

Subsequently the auditor should document the overall risk assessment of the area being audited or reviewed.

5. Performing the Fieldwork

Performing the fieldwork is the core of any audit. When time and thought have been given to steps one and two, performing the fieldwork becomes much easier. Audit procedures will vary with each audit. However, if you organize and document your work, document interviews with clients or other appropriate personnel, maintain a record of exceptions noted, and work to resolve exceptions as you progress through the audit, you will be more efficient and effective.

6. Preparing Audit Working Papers

If the work has been well planned, client communications have been constructive, and the audit work has been documented, then preparing the working papers is only a matter of organization, communication, mechanics, and time.

Preparing working papers involves organization of what has already been documented, communication of what has been done and your conclusions, the mechanics of referencing and other good working paper techniques and whatever amount of time takes to bring it all together.

Audit working papers are a critical audit product. Working papers must support the audit report. They must be neat and organized. It is necessary to refer to working papers from prior audits, and this is easier done when the work is well documented. When our office undergoes peer review, our working papers will be examined as part of a comprehensive evaluation of the quality of work provided by the office.

Step 1 Analyze the objectives and purpose of the audit assignment.

- Understand the assignment (Interviews and checklists)
- Establish audit scope (Interviews and checklists)

Step 2 Gather facts about the audit area.

- Gather background data on the audit area (Permanent files and questionnaires)
- Gather background data on similar audits (Reports, working papers, and interviews)
- Visit the audit area (Flowcharts, questionnaires, and interviews)
- Interview key audit area personnel (Interview and questionnaires)
- Organize the facts that have been collected (Indexing/cross-referencing, problems, and questionnaires)

Step 3 Identify potential control weaknesses and perform risk analysis.

- Identify risks (List of common risks and risk scenarios)
- Identify vulnerabilities (Risk matrices)

- Estimate the magnitude of vulnerability (Risk analysis formula and vulnerability ranking)
- Select audit risks (Vulnerability ranking)

Step 4 Identify audit evidence.

- Document the application flow (data flow diagram)
- Identify evidence on document flow (Data flow diagram)
- Identify and document audit evidence (Data flow diagrams, data dictionary, record layouts, and physical specimens)

Step 5 Write detailed audit objectives. The characteristic of a good audit objective include: (1) the area covered by the audit objective, (2) a detailed and measurable goal to be accomplished, and (3) criteria for measuring the success of the objective:

- Identify audit objective to accomplish the audit assignment (Checklist)
- Document the audit objectives (Audit program worksheet)

Step 6 Schedule and staff the audit.

- Establish a tentative audit schedule
- Provide sufficient staff and resources to accomplish the stated audit objectives

Step 7 Develop an Audit Program. The program defines how the audit objectives are to be accomplished.

- Identify the tests and procedures required to accomplish each audit objective (Audit judgment)
- Identify the resources required to accomplish each item (Audit judgment and experience)
- Document the audit work program (Audit program worksheet)

7. Maintaining On-Going Communications with the Client

Although this is actually a part of performing the fieldwork, because it is such a critical element of a successful audit, it is a separate step. Communicate with the client. Appropriate intervals for client contact will depend on the nature and duration of the audit. Notify clients as soon as possible when an exception is noted. If you are unsure about how and when to contact clients talk to your supervisor.

Notifying the client in a timely manner:

1. Gives them an opportunity to provide you with information to resolve the exception.
2. Gives you time to fully understand the exception and to determine whether it is “report worthy” and,
3. Keeps things above board. Open communication is effective communication.

Finally in all of your on-going communications with the Client, remember to:

- BE COURTEOUS
- BE ATTENTIVE
- BE INFORMED
- BE OPEND-MINDED
- BE SINCERE

We are a management tool. And we are most effective and most valuable when we can provide management with accurate and objective information.

Entrance Conference

The entrance conference initiates the audit fieldwork. The conference establishes the tone and framework under which the audit will be conducted. An entrance conference is the initial conference, held at or near the inception of the audit, between the auditor(s) and management of the department or office being audited. The entrance conference signals the formal start of fieldwork, just as the exit conference marks the conclusion of fieldwork. An audit should have a definite beginning and a definite end.

The primary purposes of an entrance conference are to acquaint the appropriate area management with the audit plans, to get suggestions for areas needing audit coverage or emphasis, and to make administrative arrangements. The entrance conference provides the opportunity to confirm or clarify detailed arrangements.

Perhaps more importantly, the entrance conference provides an opportunity for the auditor(s) and the auditee(s) to get to know each other. Properly structured and professionally conducted, the entrance conference can establish an atmosphere of trust and cooperation that should result in an effective and efficient audit.

Refer to the Entrance Conference Planning Checklist.

Objectives of the Entrance Conference

The entrance conference should be designed to accomplish the following objectives:

a. Establish Lines of Communication

The conference should define the channels through which communication will funnel during the conduct of the audit.

The auditor must determine the types of communications that need to occur during the audit. A minimum discussion should include:

1. Requests for access to files, documents, and other sources of information.

2. Requests for specific documents, such as invoices, personnel transaction forms, or contracts.

3. Access to computer files and other computer media.

4. Permission to interview personnel (Auditors generally have this authority, but it is best to request it).

5. A means for clearing audit concerns and raising audit and control issues.

6. The distribution list for draft copies of the audit report.

b. Identify Concerns

Department management should be the primary source of information for auditing. Auditors should not miss the opportunity to question departmental management about areas of concern. The entrance conference is such an opportunity.

The auditor in charge should plan to:

1. Inquire if there are specific activities or systems that he would like to have auditors review and, if so, why?
2. Inquire of the audited department head to identify areas within the department's sphere of activity that have been of concern to senior management.
3. Inquire of the audited department head to identify areas in which the department is experiencing losses or having problems.
4. Inquire for access to any information indicating dissatisfaction with services or products.

c. Obtain the Support of Audited Area Management and Staff

The entrance conference provides the opportunity to build a cooperative relationship with the people in the audited area.

The audit office should request management assistance regarding documentation issues and to assist in answering questions to provide the auditor with an understanding of the transactions, procedures or processes under audit.

You should plan to explain the purpose and objective of the audit process. You should stress that the department head or director will see the audit findings and recommendations before anyone else. They will also have an opportunity to review a copy of the draft report so they can provide management responses prior to its final issuance.

d. Communicate Details of the Audit

Prior to the entrance conference, you should determine as clearly as possible the requests to be made of auditee staff, consider the following:

1. Use of desks, copiers, and other physical needs.
2. Documents, files, or other, materials that you will need to use during the audit, and the length of time that you will need to hold these items.
3. The assistance of auditee personnel in performing certain parts of the audit.
4. Arrangements for access to offices or other areas during non-working hours.
5. Special procedures that you expect to perform (e.g., a physical inventory).

Preparing for the Entrance Conference

The auditor in charge must initiate an engagement letter. They must personally contact the manager to schedule the entrance conference and otherwise prepare for the conference. See the Engagement Letter and the Entrance Conference Planning Checklist.

Audit Fieldwork

The purpose of fieldwork is to obtain sufficient, competent, relevant, and useful information to form an opinion on the objectives of the audit.

Internal auditors should ensure that audit work programs are adequate to meet the audit objectives and should identify, analyze, evaluate and record sufficient information to achieve the engagement's objectives.

During fieldwork, the audit program is completed, controls are tested, and all test results are documented. Test results are quantified, areas of concern are developed, and final conclusions are summarized for communication to management.

Audit Working Papers

As sections of the working papers are completed, the in-charge auditor is responsible for notifying the preliminary reviewer assigned to the project to arrange for a preliminary review of the completed sections. Once test work is completed and the conclusions are written, the report draft is written.

1. Introduction

   Working papers document the auditor's tests, procedures and conclusions. They help to support findings, recommendations, and to prove that the examination was conducted in accordance with generally accepted auditing standards. The quantity, type and content of working papers depend upon the requirements of the particular audit assignment.

   Auditors shall prepare work papers in good form with proper attention to layout, design, legibility, headings, explanation of sources, and verification of work performed. They should reflect a conscientious attention to detail, while maintaining a clear distinction between the important and trivial.

   Any information of sufficient value to warrant inclusion in the working papers merits a complete sheet of paper with a descriptive heading. Only one side of a sheet of paper is to be used; this prevents the overlooking of material recorded on the back of the paper. Leave space at the bottom of each working paper for added comments by reviewers and for any other data that may be added later. Working papers should be prepared in a systematic method and reviewed by the Audit Manager and/or Chief Internal Auditor.

2. Working Paper Preparation Standards

   There will be one Audit File for each audit. This one file will include the following:

   - Audit Report
   - Engagement Assignment
   - Audit Program
   - Planning (Includes Internal Control Risk Assessment)
   - Fieldwork
   - Findings
   - Management Responses

- Entrance Conference
- Exit Conference
- Correspondence (If required)
- Interviews (If required)

The following should be observed when preparing working papers:

Proper Identification

Every working paper must be properly identified.

A heading which includes City of El Paso, Internal Audit Office, the name of the audit and a descriptive title or purpose of the information presented must appear on every page of the working papers.

Example:

City of El Paso
Internal Audit Office
Name of Audit
Description of Work Paper (i.e., Background Info)

Initial and Date

Every working paper should be stamped and contain the name or initials of the preparer, the date, and name or initials of the reviewer. This information should be placed in the lower right-hand corner of each working paper.

Example:

Date:	**Prepared by:**	**Working Paper No.**
Date:	**Reviewed by:**	

Source of Data

The source of data presented on each working paper should be clearly stated and placed at the bottom of the document from which this information was obtained. If the document was supplied and prepared by the client it should be clearly stated as such. If multiple sources are referenced in a working paper, the source that supplied the information for each topic in the working paper should be identified to ensure that findings can be supported and verified.

Conclusion

Where warranted include a brief conclusion which summarizes the work performed and include a reference which describes whether the audit objective was met and whether there are exceptions to the tests or work performed.

Update the Audit File

When a change affects a number of working papers, it should be carried through so that each working paper reflects the more current information.

Odd-Sized Papers

The auditor should attempt to reduce odd-sized papers, those that are not 8 1/2" x 11". Odd-sized papers should be taped onto 8 ½" x 11" paper, properly identified, and indexed. If multiple pages are adhered to one 8 ½" x 11" sheet of paper, each page should be numbered. It is suggested that these odd-sized papers be attached such that the information can be read from left to right without having to turn the folder around.

Additional Information

Miscellaneous notes, documents and memos, which are retained only temporarily, should be kept in a "throw-away" folder to be discarded upon the completion of the audit. Only include the information that explains specific testing and documents conclusions in the audit file.

3. Working Paper Organization

Proper working paper organization will ease working paper review and improve the quality of the work performed.

Working Paper Referencing

All working papers must have a working paper reference number in BLUE pencil in the lower right-hand corner along with the preparer's initials and date.

The following scheme should be used for working paper referencing:

A - 1
A - 1.1
A - 1.2.1
A - 2
A - 3

The sections should be referenced from the front to the back of the file sections. For example the Audit Assignment Sheet would be referenced A-1. The next working paper section should be B-1, followed by C-1, etc.

Working Paper Cross-Referencing

Cross-referencing within the same working paper should be indicated by a circled letter or number; i.e., "1" next to an item indicates that footnote "1" on this page explains something about this item. This referencing should be done in BLUE pencil. The "connector" symbol found in the list of tick marks is used for this purpose.

Cross-referencing between working papers will always be done in BLUE pencil. Cross-referencing should be used for important information, which is relevant in support of an Auditor's conclusion(s). Use professional judgment. (Avoid instances of over referencing. Use a common sense relevance test).

Tick Marks

The Internal Audit Office has a Standard Tick Mark Legend to identify basic audit functions such as footing, cross-footing, verifying calculation, tracing to the Statements of Account, etc. Use these tick marks if they apply; otherwise design your own tick mark, but be sure to define it somewhere in the working paper. All tick marks should be in Blue pencil.

Binding, Labeling and Filing

All working papers will be three-hole punched for inclusion in the working file (usually a 3-ring binder) and storage folder (usually a brown, pressboard folder).

Storage folders should be labeled with an audit title. The Chief Internal Auditor assigns audit titles.

Folders are filed by alphabetical order.

4. Additional Working Paper Requirements

   a. All calculations should be recalculated

   b. All schedules should be footed and cross-footed

   c. Each audit procedure performed should include a brief narrative summarizing the results.

   d. Source and purpose shall be clearly identified using BLUE pencil, ink, or highlighter.

   e. RED pencil is reserved for reviewer's notes.

5. Common Working Paper Deficiencies

   a. Source and/or purpose are not clear for every working paper.

   b. Each page in a working paper is not initialed and dated.

   c. Cross-referencing is not complete. (Be sure to cross-reference the audit findings and audit report to the working papers).

   d. All supporting documents are not referenced.

   e. There are no tick marks to indicate the performance of standard audit procedures.

6. Review of Working Papers

All audit working papers should be reviewed to ensure that they properly support the audit report, to verify that the project's objectives have been met and to ensure that all necessary auditing procedures have been performed. The internal review of working papers is an integral part of the quality assurance of the office's work. The review ensures that quality working paper documentation is maintained, and that adequate supporting documentation is present. Using red ink or red pencil the reviewer must initial and date each working paper as the review is completed.

There are various types of reviews performed on working papers. The following is a breakdown of the review process:

The **preparer** should review all his/her work to ensure that the working papers adequately document the results of the applied tests, that the results are clearly and concisely recorded, and that all supporting documents are logically organized. Once the planning phase of the audit is complete, the preparer should meet with the Chief Internal Auditor for the **preliminary review.**

The Chief Internal Auditor will conduct the **preliminary review**. This review includes all working papers related to the planning phase of an audit. An internal control risk assessment should be completed as well as the audit program. The Chief Internal Auditor will also review the Detailed Time Budget for the audit. Once the **preliminary review** is complete, the Chief Internal Auditor will return the working papers to the preparer for clearing of the review notes. After all review notes have been cleared, the audit program has been approved and the Detailed Time Budget has been agreed upon, fieldwork can begin.

After the fieldwork is done, a **peer review** occurs. The peer reviewer conducts a detailed review of the working papers related to fieldwork. All schedules should be footed and cross-footed. Calculations should be recalculated and tick marks should be explained. The **peer reviewer** ensures that all audit testing is properly summarized and correctly cross-referenced. The **peer reviewer** also ensures that audit objectives have been met and that working papers support the assertions made in the Summary Memos. When the **peer review** is completed, the working papers are returned to the preparer for clearing of review notes.

The complete set of working papers, with a draft copy of the audit report, should be given to the Chief Internal Auditor or Audit Manager for the **final review**. The **final reviewer** should review each audit program step to ensure that the step was performed to the extent planned. The **final reviewer** should review the audit report to ensure that the report is adequately supported by the working papers, and is cross-referenced, objective, clear and concise. After all final review notes have been cleared, an exit conference is scheduled with the client to review and discuss the audit report.

Exit Conference

After the audit report and working papers have been reviewed, the auditor contacts the client to schedule an Exit Conference. The auditor may choose to provide the potential audit findings to the client prior to the Exit Conference. All issues discussed or concerns addressed in this meeting are documented and included in the working papers. The Chief Internal Auditor and all auditors who participated on the audit attend the meeting.

Upon conclusion of the Exit Conference, the auditor requests that the client respond, in writing, to each of the audit recommendations. Responses to audit recommendations should include the client's plan for corrective action, the person responsible for implementing the recommendation, and the date the action will be implemented. The client should be given 7-14 working days to generate this response. When the client's response is received, it is included in the audit report. A copy of the audit report, clearly marked DRAFT, is sent to the client and to the Deputy City Manager of Finance & Public Safety for their review and approval. Any comments are included in the working papers.

Issuance of Formal Audit Report

The formal audit report is issued after the review is complete and management has properly addressed the recommendations made in the report draft.

Definition of a Formal Audit Report

For purposes of this policy, a formal audit report is a written report of the results of any internal audit activity, including recommendations for improvement, if any, and management's responses, that are issued to the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee.

Criteria for Issuance of a Formal Audit Report

If the reviewed activity meets any one of the following conditions, a formal audit report probably will be issued:

1. The findings suggest theft, fraud, illegal acts, or other violations of State or Federal Laws.
2. Members of the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee request the audit.
3. The findings provide an opportunity to report on exceptional management, efficiency, and effectiveness.

Executive Summary

The purpose of the Executive summary is to provide the reader with a summary of the significant observations presented in the related audit report. It is usually prepared when the draft copy of the report is prepared and is subject to final review.

Report Distribution

Audit reports will be distributed to the following:

- City Manager
- Deputy City Manager for Finance & Public Safety
- Applicable Department Head
- Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee (link to audit report located on the Internal Audit Office website sent via e-mail)
- Others, as needed

The audit report should be safeguarded on the department's directory and other storage media.

Audit Debrief

At the conclusion of an audit, audit follow-up, or Special Request Project (SRP) it will be the auditor's responsibility to schedule an audit debrief with the Chief Internal Auditor and audit team to discuss the overall management of the audit. Items for discussion include but are not limited to areas that functioned as planned, areas that were inefficient and others areas that should be noted for future engagements. Please refer to the audit debrief forms.

The following table can be used for ease in finding the appropriate form and template to use while performing audit procedures. Refer to the copy of the form at the FORMS section in this manual and use the appropriate template to create a working copy for your particular audit procedure.

City of El Paso
Internal Audit Office

Cross Reference Guide for Audit Procedures, Forms and Templates

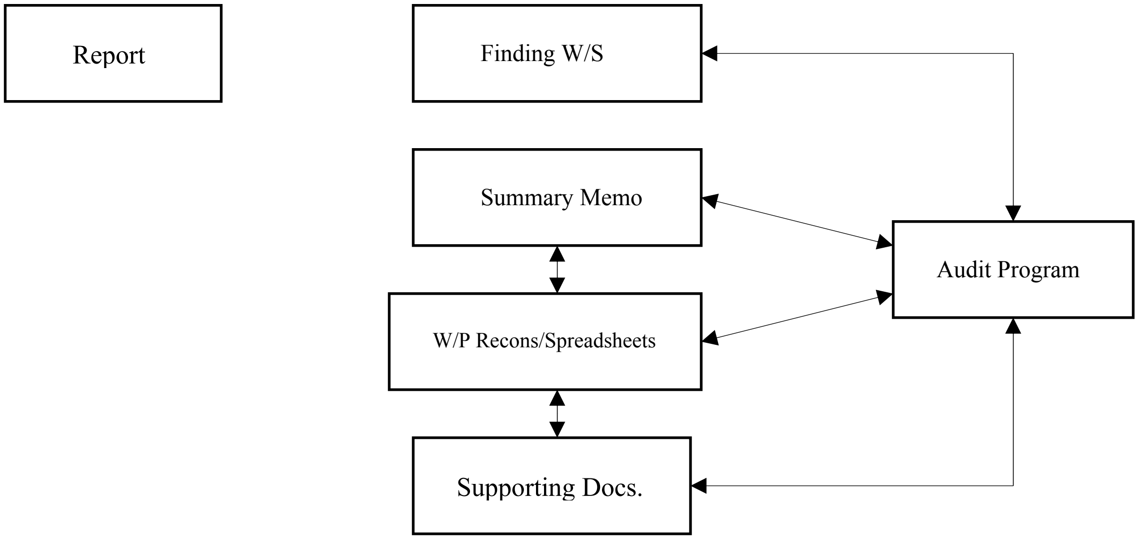
Audit Procedure	Form	Page no.
Planning	Assignment Sheet	68
Planning	Audit Control Sheet	69
Planning	Auditor's Objectivity Statement	71
Planning	Auditor's Technical Knowledge and Competence Statement	72
Planning	Entrance Meeting Checklist	73
Planning	Entrance Meeting Agenda	74
Planning	Internal Control Questionnaire	75
Planning	Internal Control Risk Assessment	87
Planning	Checklist for Understanding the Audit Assignment and Scope	88
Planning	Planning Memo	89
Planning	Engagement Letter	92
Fieldwork	Audit Program	95
Fieldwork	Exit Meeting Checklist	103
Fieldwork	Exit Meeting Agenda	104
Fieldwork	Summary Memo	105
Fieldwork	Potential Report Findings Worksheet	106
Fieldwork	Standard Tick Mark Legend	107
Review	Quality Assurance Program Worksheet	108
Review	Working Paper Review Points	111
Review	Checklist for Working Papers - Planning	112
Review	Checklist for Working Papers - Fieldwork	114
Review	Checklist for Working Papers - Reporting	118
Reporting	Audit Report Cover Sheet	120
Reporting	Audit Report	121
Reporting	Management Letter (If Applicable)	126
Other	Audit Debrief	128
Other	Client Survey Cover Letter	129
Other	Client Survey	130

* Audit files involving a fraud investigation will include all of the required Audit forms when feasible.

The Internal Audit staff will properly document all engagements according to the Standards. All Audit Engagement files will contain, but are not limited to, the following:

- Quality Assurance Program Worksheet
- Audit Control Sheet
- Checklist for Working Papers- Planning
- Checklist for Working Papers- Fieldwork
- Checklist for Working Papers- Reporting
- Audit Report
- Project Assignment Sheet approved by the Chief Internal Auditor
- An Audit Program approved by the Chief Internal Auditor
- Planning Memo
- Completed Risk Assessment
- Copy of Engagement Letter
- Entrance Meeting Checklist, Agenda, and Minutes
- Auditor's Objectivity Statements
- Auditor's Technical Knowledge and Competence Statement
- Summary Memos for each of the main sections of the Audit Program. All Summary Memos will include:
    - **Purpose** of test
    - **Source** and name of all relevant information needed to complete the test
    - **Procedure** used to complete the testing
    - **Results** of the procedures performed
    - Reference to appropriate Audit program section
- Relevant work papers to support audit conclusions. All work papers will include:
    - Identification of audit
    - Statement of purpose.
    - Statement of source of information.
    - Initials of the preparer and reviewer with dates completed for each, and a working paper number (Refer to standard stamp).
- Potential Finding Worksheets for each finding identified in the engagement
- Exit Meeting Checklist, Agenda, and Minutes

Work papers are to be cross-referenced using the following process:



Electronic documents relating to an audit engagement are always to be developed and saved in the Internal Audit drive under the appropriate audit/project folder.

COMMUNICATIONS AND REPORTING

Executive and Senior Management:

The Chief Internal Auditor is responsible for communicating audit findings to the City Manager and appropriate Senior Management.

- The Internal Audit staff members should develop sufficient professional judgment in any engagement to assist the Chief Internal Auditor in reporting significant risk exposures and control issues, and other matters needed by the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee and senior management. The Internal Audit staff will report these issues directly to the Chief Internal Auditor.
- Questions concerning audit findings should be referred to the Chief Internal Auditor. Audit findings should not be discussed outside the Internal Audit Office.
- Reports will follow a standard reporting format, which includes a cover sheet, an executive summary, and scope, audit findings including applicable recommendations and management's response, inherent limitations, and a conclusion. Report drafts are distributed to the appropriate Senior Managers. Responses to recommendations are included in the report and the final version is sent to the City Manager for approval before it is published and distributed to the appropriate Senior Managers, and Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee. The Chief Internal Auditor shall sign all reports along with the staff auditor.
- It is the policy of internal auditing to reach agreement with affected personnel concerning the correctness of the facts surrounding the audit findings prior to distribution of the final report. Where appropriate, corrective action to be taken should be ascertained and included in the report. The individual responsible for the corrective action and the key milestone dates for corrective action completion should also be included. On occasion the internal audit staff may work with audit customers to seek the best solution to deficiencies noted during the audit.
- To assure that agreement is reached as to statements of facts, the audit results to be included in the report are reviewed with the Division Head, Controller, or their designee who is later furnished a draft copy of the audit report for review prior to distribution.
- The Chief Internal Auditor is ultimately responsible for evaluating the client's responses. The Internal Audit Office will work with management to resolve any management concerns.
- After the Chief Internal Auditor is satisfied that the audit report is appropriate in the circumstances, final distribution of the report is made. Copies of the report are issued to the appropriate personnel and posted on the Internal Audit Office website under "Audit Documents."

Reporting To Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee:

The Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee has general oversight authority of the internal audit function. They review the status of current activities in the audit office, monitor the implementation of all audit report recommendations and responses, review the annual and long-range audit plans, review the risk assessment methodology and its application, and request external peer reviews every three years.

The Chief Internal Auditor reports quarterly to the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee on the internal audit activity's performance relative to its plan. Chief Internal Auditor reports on significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the committee.

The Chief Internal Auditor will provide a summary of all Audit reports completed with a brief description of what is contained in the report (scope, objectives, findings, and management's corrective action).

Procedure for Posting of Notices/Agendas for Public Meetings

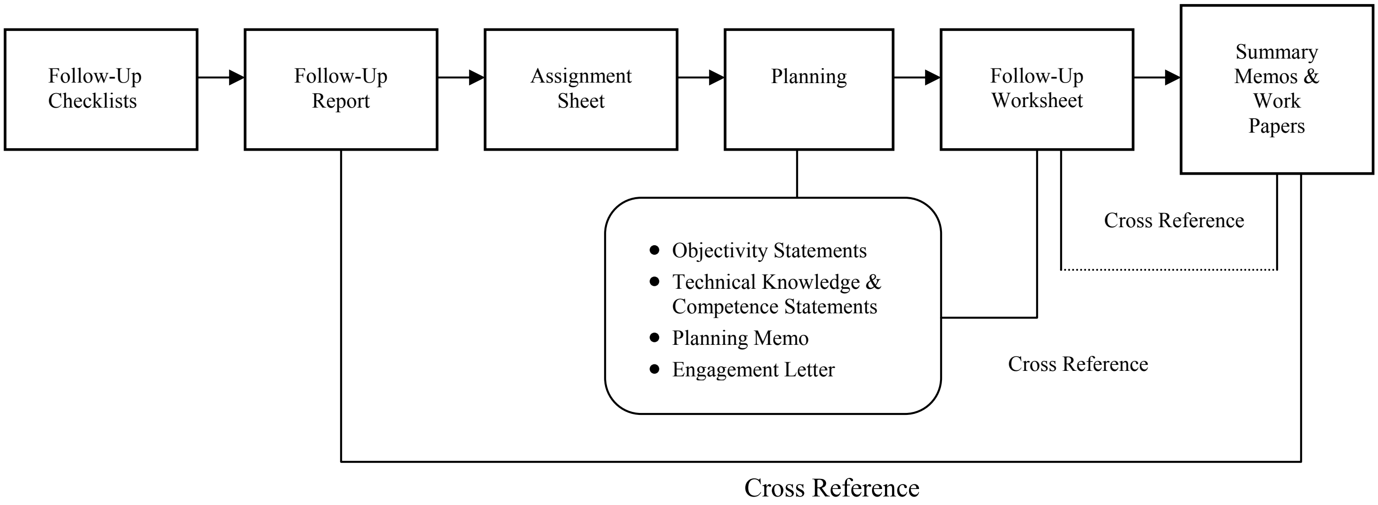
Municipal Clerk's office is responsible for posting Legislative Review Committee Meetings. The items must be sent to Municipal Clerk 96 hours in advance. They will forward to Legal Department for review and make arrangements for posting.

FOLLOW-UP ON MATTERS REPORTED BY INTERNAL AUDIT

The Institute of Internal Auditor’s *International Standards for the Professional Practice of Internal Auditing* require a post audit follow-up on all audit recommendations made to determine that appropriate action was taken on reported audit findings.

For purposes of follow-up actions on findings and recommendations, we must determine which recommendations have been implemented, have not been implemented, are in progress, or are no longer applicable. Our follow-up must include the following Audit Standards: planning, objectivity, fieldwork, adequate documentation, and reporting.

Follow-up Structure


Follow-Up Checklists
Follow-Up Report
Assignment Sheet
Planning
Follow-Up Worksheet
Summary Memos & Work Papers
Objectivity Statements
Technical Knowledge & Competence Statements
Planning Memo
Engagement Letter
Cross Reference
Cross Reference
Cross Reference

Work papers for follow-ups should at a minimum contain the following,

- Quality Assurance Program Worksheet (Follow-up Audit)
- Follow-Up Audit Control Checklist
- Checklists for Follow-Up Working Papers (Planning, Fieldwork, Reporting)
- Follow-up Audit Report cross referenced to Summary Memos
- Audit Assignment Sheet filled out with time and dates
- Completed Auditor’s Objectivity Statements
- Completed Auditor’s Technical Knowledge and Competence Statements
- A short planning memo of how the follow-up will be accomplished
- Copy of Engagement Letter
- Follow-Up Worksheet
- Summary Memos for each finding being followed-up on – cross referenced to work paper support
- Work papers supporting findings

The appropriate operating senior management is responsible for the timely implementation of corrective action for items reported by internal audit, and is to keep the Chief Internal Auditor advised of the status. If there are delays in implementing corrective action, the Chief Internal Auditor should be notified immediately as to the nature and reason for the delay.

The Chief Internal Auditor will report to senior management and the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee on progress the organization is making on those matters previously reported by internal audit. Where progress is not satisfactory, the Chief Internal Auditor may consider inviting the responsible management to discuss the matter with senior management and the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee.

The following table can be used for ease in finding the appropriate form and template to use while performing follow-up audit procedures. Refer to the copy of the form at the FORMS section in this manual and use the appropriate template to create a working copy for your particular follow-up audit procedure.

Cross Reference Guide for Follow-up Audit Procedures, Forms and Templates

Audit Procedure	Form	Page no.
Planning	Assignment Sheet	68
Planning	Follow-up Audit Control Sheet	69
Planning	Auditor's Objectivity Statement	71
Planning	Auditor's Technical Knowledge and Competence Statement	72
Planning	Entrance Meeting Checklist	73
Planning	Entrance Meeting Agenda	74
Planning	Planning Memo	90
Planning	Engagement Letter	93
Fieldwork	Follow-up Worksheets	102
Fieldwork	Exit Meeting Checklist	103
Fieldwork	Exit Meeting Agenda	104
Fieldwork	Summary Memo	105
Fieldwork	Potential Report Findings Worksheet (if required)	106
Fieldwork	Standard Tick Mark Legend	107
Review	Follow-up Quality Assurance Program Worksheet	109
Review	Working Paper Review Points	111
Review	Follow-up Checklist for Working Papers – Planning	112
Review	Follow-up Checklist for Working Papers – Fieldwork	116
Review	Follow-up Checklist for Working Papers - Reporting	119
Reporting	Audit Report Cover Sheet	120
Reporting	Audit Report	123
Reporting	Management Letter (If Applicable)	126
Other	Audit Debrief	128
Other	Client Survey Cover Letter	129
Other	Client Survey	130

The following table can be used for ease in finding the appropriate form and template to use while performing an SRP (Special Request Project). Refer to the copy of the form at the FORMS section in this manual and use the appropriate template to create a working copy for your particular SRP.

Cross Reference Guide for SRP Procedures, Forms and Templates

Audit Procedure	Form	Page no.
Planning	Assignment Sheet	68
Planning	Special Request Project Control Sheet	70
Planning	Auditor's Objectivity Statement	71
Planning	Auditor's Technical Knowledge and Competence Statement	72
Planning	Entrance Meeting Checklist (If required)	73
Planning	Entrance Meeting Agenda (If required)	74
Planning	Planning Memo	91
Planning	Special Request Project Engagement Letter	94
Fieldwork	Exit Meeting Checklist (If required)	103
Fieldwork	Exit Meeting Agenda (If required)	104
Fieldwork	Summary Memo	105
Fieldwork	Potential Report Findings Worksheet	106
Fieldwork	Standard Tick Mark Legend	107
Review	Quality Assurance Program Worksheet (Special Request Project)	110
Review	Working Paper Review Points	111
Review	Checklist for Working Papers - Planning	113
Review	Checklist for Working Papers - Fieldwork	114
Review	Checklist for Working Papers - Reporting	118
Reporting	SRP Memorandum	127
Other	Audit Debrief	128
Other	Client Survey Cover Letter	129
Other	Client Survey	130

* SRP files involving a fraud investigation will include all of the required SRP forms when feasible.

QUALITY ASSURANCE AND IMPROVEMENT

The Chief Internal Auditor is in charge of developing and maintaining a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitor its effectiveness. The program is designed to help the internal audit activity add value and improve the organization's operations and to provide assurance that the internal audit activity is in conformity with the Standards and the Code of Ethics.

To meet this goal there are three things to do. First, determine what our audit clients want and need. Second, we must meet those needs on time. Finally, and perhaps most important, we must continually strive to ensure that a quality and improvement process is in place and is in conformance with the Standards of the IIA.

To continue to improve our audit performance and our contribution to the organization, we have adopted the practice of having the City Manager request that senior management respond to a questionnaire about the audit process. Seventeen of the nineteen questions cover such topics as (1) how well we communicated audit objectives before the audit, (2) how well auditors solicited and responded to the audit client's ideas, and (3) the breadth of the updates during the audit. And the last question asks for three specific changes that we could make to improve the overall audit process.

External assessments, such as quality assurance reviews, should be conducted at least once every three years by a qualified, independent reviewer (team) from outside the organization. The following steps outlined by the IIA will assist the department in getting started on the external assessment:

1. Review the Standards and the Code of Ethics. Determine if there are any immediate changes needed.

2. Review the Practice Advisories, especially advisories related to quality assurance.

3. Talk with internal auditors from other organizations about their experiences with quality assurance reviews. Obtain an understanding of how the review process might work, how to best prepare for one and review team selection process. IIA Chapter meetings are a good forum for this step.

4. Contact organizations that might be willing to perform the quality assurance review. Consider organizations like the IIA, accounting firms, or other consultants.

5. Obtain a proposal from at least 2 of these organizations and then select the one that provides the best value.

The Chief Internal Auditor will communicate the results of the internal and external assessments to the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee.

FRAUD

When an internal auditor suspects wrongdoing, the Chief Internal Auditor is notified. Internal Auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud (IPPF Section 1210.A1-1). The Chief Internal Auditor will contact the City Manager and other appropriate senior management members to determine whether an audit or investigation in the suspected areas of wrongdoing is appropriate.

Characteristics of Fraud

Fraud encompasses an array of irregularities and illegal acts characterized by intentional deception. It can be perpetrated for the benefit of, or to the detriment of, the organization; and by persons outside as well as inside the organization.

Periodic audit training, distribution of audit publications, and other communication methods are in place to apprise auditors of the nature of fraud and the control environment in which fraud may occur.

Fraud designed to benefit the organization generally produces benefit by exploiting an unfair or dishonest advantage that also may deceive an outside party. Perpetrators of such frauds usually benefit indirectly, since the personal benefit usually accrues when the organization is aided by the act.

Audit activities are specifically designed in a manner, which provides review of the control environment and the inherent potential for fraud. Audit risk analysis and audit selection is based on the degree of change and "pressure" in operating units. Where appropriate, financial and operating systems are tied to related accounting and reporting information to validate propriety.

Examples of Fraud and Related Auditing Activity

- Sale or assignment of fictitious or misrepresented assets.

  Asset audits include steps to validate asset accounting, and evaluate the propriety of asset purchases, transfers and disposals.

- Improper payments such as illegal political contributions, bribes, kickbacks, and payoffs to government officials, intermediaries of government officials, customers, or suppliers.

  Certain audits (e.g., purchasing) review control environments in order to detect unwarranted potential for personal benefit. Government compliance reviews includes specific control steps to evaluate potential illegal relationships and payments.

- Intentional, improper misrepresentation or valuation of transactions, assets, liabilities, or income.

  Revenue cycle, disbursement cycle, and asset audits include validation steps for proper valuation and recognition.

- Intentional, improper transfer pricing (e.g., valuation of goods exchanged between related entities). By purposely structuring pricing techniques improperly, management can improve the operating results of an organization involved in the transaction to the detriment of the other organization.

  Where risks imply the need, intercompany accounting and/or international subsidiary audits will include analysis of intercompany accounting and pricing. Certain government compliance audits may also focus on the propriety of costs for interdivisional transfers.

- Intentional, improper related party transactions in which one party receives some benefit not obtainable in an "arm's length" transaction.

  Organization control review steps in audits may be concerned with related party risk. When a specific concern is identified, audit or investigation work may be performed.

- Intentional failure to record or disclose significant information to improve the financial picture of the organization to outside parties.

  External reporting practices are reviewed in detail by the external auditors, and internal auditors may assist in the year-end close external audit to support this objective. Validating the integrity of accounting and financial reporting accuracy are common program steps in audits.

- Prohibited business activities such as those which violate government statutes, rules, regulations or contracts.

  Government compliance audits and reviews evaluate preventative and detective controls and related compliance under applicable laws, regulations, rules, and contracts.

- Fraud perpetrated to the detriment of the organization generally is for the direct or indirect benefit of an employee, outside individual, or another firm. Some examples are:

  Acceptance of bribes or kickbacks.

  Diversion to an employee or outsider of a potentially profitable transaction that would normally generate profits for the organization.

  Embezzlement, as typified by the misappropriation of money or property, and falsification of financial records to cover up the act, thus making detection difficult.

  Intentional concealment or misrepresentation of events or data. Claims submitted for services or goods not actually provided to the organization.

Auditors will receive periodic training in the area of fraud indicators and related methods, and all auditors should remain aware of the potential for fraud in all of the noted areas such as bribes, kickbacks, diversion, embezzlement, concealment and misrepresentation. System reviews in the core business cycles (revenue, disbursement, conversion/inventory/cost, payroll/benefits, and capital assets) will evaluate the overall control environment and related potential for fraudulent actions to take place. When a specific concern is identified from the normal audit process or by an employee or management concern, auditors may become involved in audit or investigative work in these areas.

Deterrence of Fraud

Deterrence consists of those actions taken to discourage the perpetration of fraud and limit the exposure if fraud does occur. The principal mechanism for deterring fraud is control. Management is responsible for the maintenance of an effective control environment. Auditors are tasked to evaluate the control environment at audited locations to determine the adequacy of internal control in selected systems.

Internal auditing is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of controls, commensurate with the extent of potential exposure/risk in the various segments of the entity's operations. In carrying out this responsibility, internal auditing should, for example, determine whether:

- The organizational environment fosters control consciousness.

  The organizational environment is considered along with other appropriate factors in the risk analysis process leading to audit selection and audit program development.

- Realistic organizational goals and objectives are set.

  Audit actions such as system reviews evaluate the adequacy of the total system of the internal controls including review of strategic plans, annual plans, and quarterly budgets.

- Written corporate policies (e.g., code of conduct) exist that describe prohibited activities and the action required whenever violations are discovered.

Certain audits include evaluation of location practices and supporting controls versus established Standards of Business Conduct.

- Appropriate authorization policies for transactions are established.

  Authorization practices are commonly audited including procedure reviews, management interviewing to determine authorization expectations and detailed compliance testing to determine authorization compliance.

- Policies, practices, procedures, reports and other mechanisms are developed to monitor activities and safeguard assets, particularly in high-risk areas.

  Audit objectives commonly include adequacy and compliance reviews of policies, procedures, reports and monitoring activities. Asset safeguarding practices are evaluated in normal internal control review and during asset audits.

- Communication channels provide management with adequate and reliable information.

  Two-way communication and reporting is commonly evaluated, and certain information system audits include tests for information adequacy and usefulness.

- Recommendations need to be made for the establishment or enhancement of cost-effective controls to help deter fraud.

  Whenever appropriate, potential risk/impact/effect statements in audit reports highlight irregularity risks. All recommendations are written with cost justification in mind. Often the audit client is contacted to establish cost/benefit impacts.

Detection of Fraud

Detection consists of identifying indicators of fraud sufficient to warrant recommending an investigation. These indicators may arise as a result of controls established by management, tests conducted by auditors, and other sources both within and outside the organization. Auditors should:

- Have sufficient knowledge of fraud to be able to identify indicators that fraud might have been committed. This knowledge includes the characteristics of fraud, the techniques used to commit fraud, and the types of frauds associated with the activities audited.

- Be alert to opportunities, such as control weaknesses, that could allow fraud. If significant control weaknesses are detected, additional tests conducted by internal auditors should include tests directed toward identification of fraud indicators with the concurrence of the CAE.

If significant control weaknesses are detected, additional tests may be performed to identify other indicators of fraud. All audit and investigation activity will be carefully coordinated with the approval/involvement of the Legal Department as appropriate.

The Internal Auditors will review potential fraud indicators derived from fieldwork or from employee or management contact, and work with the City Manager and/or General Counsel to determine if investigative or further audit work is appropriate by members of the Internal Audit Office.

Internal auditors are not expected to have knowledge equivalent to that of a person whose primary responsibility is detecting and investigating fraud. Also, audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Investigation of Fraud

Investigation consists of performing extended auditing procedures necessary to determine whether fraud, as suggested by the indicators, has occurred. It includes gathering sufficient evidential matter about the specific details of a discovered fraud. Internal auditors, lawyers, investigators, security personnel, and other specialists from inside or outside the organization are the parties that usually conduct or participate in fraud investigations.

When an investigation is deemed necessary, the Chief Internal Auditor will confer with the City Manager and General Counsel leading to a decision as to the appropriate mix of internal or external resources to complete the investigation based on required expertise or competency.

Auditors involved in a fraud investigation assess the probable level and the extent of fraud within the organization to help ensure auditors avoid providing information to, or obtaining misleading information from, persons who may be involved. If it is determined that internal auditors will be involved in an investigation, the Chief Internal Auditor determines the knowledge, skills, and disciplines needed to effectively carry out the investigation. It is most common for the Chief Internal Auditor or a Supervisor/Manager to be personally involved in the investigation to help assure the most effective and professional results. Outside resources may be used in an internal investigation.

A written program will be used to detail carefully designed procedures to attempt to identify the perpetrators, extent, techniques, and cause of fraud.

Auditors involved in the investigations must be cognizant of the rights of alleged perpetrators and personnel within the scope of the investigation and the reputation of the organization itself.

Once a fraud investigation is concluded, Internal Audit assesses the facts in order to:

- Determine if controls need to be implemented or strengthened to reduce future vulnerability.
- Help meet the internal auditor's responsibility to maintain sufficient knowledge of fraud and thereby be able to identify future indicators of fraud.

Reporting of Fraud

The form and nature and timing of appropriate fraud investigation communication to management will be predetermined by the Chief Internal Auditor.

A preliminary or final report may be drafted at the conclusion of the detection phase. The report should include the internal auditor's conclusion as to whether sufficient information exists to conduct an investigation. It should also summarize findings that serve as the basis for such decision.

When the incidence of significant fraud has been established to a reasonable certainty, the City Manager will be notified immediately.

If fraud investigation results are determined to materially affect the reported financial statement results, the Chief Internal Auditor will advise the Chief Financial Officer. Significant misstatements would be included in the category of important control issues communicated to top management as appropriate.

Written reports are issued to communicate the results of Internal Audit involvement in the investigation phase. It will include findings, conclusions, recommendations and, where appropriate, corrective action taken.

DESCRIPTION OF ANNUAL DUTIES

Internal Audit Office Annual Audit Plan

The Chief Internal Auditor will submit for approval a confidential internal audit plan to the Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee and the City Manager before the beginning of each fiscal year. The plan will include a rotating schedule of coverage. Refer to the Departmental Planning Section for further information on the development of the annual Audit Plan.

INTERNAL AUDIT OFFICE RECORD RETENTION POLICY & WAREHOUSE LIST

The City of El Paso Internal Audit Office will adhere to the State of Texas Records Retention Schedules and work with the City of El Paso Records Management Department in order to ensure compliance with records retention requirements. The following is a listing of records commonly produced by the Internal Audit Office with their corresponding retention period:

- Permanent Retention for:
    - Listing of destroyed records
    - Internal Audit Reports
- A minimum of 3 year retention or until next scheduled Quality Assurance Review whichever is later for:
    - Department administrative records
    - Workpapers (Retention: 3 years after all questions arising from the audit have been resolved)
    - Mandatory Reporting Reviews
- A minimum of 5 years retention for investigation work papers.

Department Records Management

The Internal Audit Office will maintain a designated department librarian whom will be responsible for the management of all department records. The librarian will maintain an inventory listing of all:

- Records in storage
- Destroyed records
- Permanent files
- Audit files (not in storage)
- Special project files
- Audit Reports
- Special project memos

Once an audit file or special project file has gone through Quality Assurance (QA) it needs to be filed and added to the department's library. Once filed, the file becomes part of the department's library and will require anyone wishing to review the file to sign for the release of the file.

INTERNAL AUDIT OFFICE'S RELATIONSHIP WITH EXTERNAL AUDITORS

The Fiscal Affairs & Management Support/Internal Audit Legislative Review Committee oversees the work of the external auditors. The Chief Internal Auditor is the primary management official responsible for coordinating the external audit relationship. An attitude of cooperation and collaboration best describes the relationship of internal auditing to external auditors. This relationship, rather than one which recognizes internal auditing merely as an extension of the external auditors, is necessary due to the difference in objectives. For example, in some cases external auditors are primarily concerned with the annual examination, which takes the form of a verification of assets and liabilities as of a certain date, and such analysis of the income statement as will enable them to express an opinion as to the fairness of the financial statements. The scope of their examination includes a review of internal controls concerned mainly with the safeguarding of assets and reliability of financial records.

In contrast, internal auditing is concerned with a comprehensive continuing program of audits which places emphasis on risk management, control, governance processes and efficient profitable operations. The scope of this program includes the COSO control model framework to include environmental controls, risk assessment, control activities, information and communication and monitoring.

Coordination of internal audit activities with the external auditors principally involves checking and working with each other to insure: (1) maximum audit coverage is obtained; (2) there is an exchange of information, and (3) a minimum duplication of effort and expense on routine phases of audit work. Ongoing, direct communication between the Chief Internal Auditor and the external auditors is maintained to foster coordination of audit work.

FORMS

All forms required during the course of an audit or project are available at the end of this manual. However, for a quick reference guide please refer to page 52 for audits, page 56 for follow-up audits, and page 57 for SRPs (Special Request Projects).

RESOURCES

The IIA
COSO
COBIT
A.L.G.A
Auditnet.org

GLOSSARY

Add Value: Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.

Adequate Control: Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization’s risks have been managed effectively and that the organization’s goals and objectives will be achieved efficiently and economically.

Assurance Services: An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples, may include financial, performance, compliance, system security, and due diligence engagements.

Board: A board is an organization’s governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a non profit organization, or any other designated body of the organization, including the audit committee, to whom the chief audit executive may functionally report.

Charter: The internal audit charter is a formal written document that defines the internal audit activity’s purpose, authority, and responsibility. The charter should (a) establish the internal audit activity’s position within the organization; (b) authorize access to records, personnel, and physical properties relevant to the performance of engagements; and (c) define the scope of internal audit activities.

Chief Audit Executive: Senior position within the organization responsible for internal audit activities. In a traditional internal audit activity, this would be the internal audit director. In the case where internal audit activities are obtained from outside service providers, the chief audit executive is the person responsible for overseeing the service contract and the overall quality assurance of these activities, reporting to senior management and the board regarding internal audit activities, and follow-up of engagement results. The term also includes such titles as general auditor, chief internal auditor, and inspector general.

Code of Ethics: The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance: Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest: Any relationship that is or appears to be not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services: Advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Control: Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment: The attitude and actions of the board and management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes: The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

Engagement: A specific internal audit assignment, task or review activity, such as internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives: Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Work Program: A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider: A person or firm outside of the organization, who has special knowledge, skill, and experience in a particular discipline.

Fraud: Any illegal acts characterized by deceit, or violation of trust. These acts are not dependent upon the application of threat of violence or of physical force. Frauds are perpetrated by parties and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance: The combination of processes and structures implemented by the board in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.

Impairment: Impairment to individual objectivity and organizational independence may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Independence: The freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels.

Internal Audit Activity: A department, division, team of consultants or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Must: The *Standards* use the word "must" to specify an unconditional requirement.

Objectivity: An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgment on audit matters to others.

Residual Risks: The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

Risk: The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite: The level of risk that an organization is willing to accept.

Risk Management: A process to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the organization's objectives.

Should: The *Standards* use of the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Standard: A professional pronouncement promulgated by the Internal Auditing Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.

FORMS

AUDIT ASSIGNMENT SHEET

Name of audit:	**Team Members:** **Team Reviewer:**
Contact:	**Location:**
Source of Project:	**Work Code:**

Time (Hours):	**Budget**	**Actual**	**Variance**
Planning			
Fieldwork			
Review			
Report			
Other			
Total			

Note:

Variance: ________________________
____

Dates:	Deadline	Completion Date
Planning Started		
Entrance Meeting		
Field Work Started		
Review		
Report Draft		
Exit Meeting		
Final Report		
QAP Review		
Debriefing		

Purpose for the Audit

Scope and Objectives

1.

Time Period and Area to be Audited

Other Comments

Prepared by: **Date:**
Approved by: **Date:**

AUDIT CONTROL SHEET / FOLLOW-UP AUDIT CONTROL SHEET

Audit Name and Number: ______________________________

ACTIVITY	DATE	INITIALS
Planning		
Scheduled date of completion (per Planning Memo)		
Planning completed and submitted to Chief Internal Auditor or Audit Manager for review		
Planning notes cleared; return for approval		
Planning review completed		
Peer Review		
Fieldwork completed and working papers submitted to peer for review		
Working paper review completed; return to auditor to clear notes		
Working paper notes cleared; return to peer reviewer		
Working paper review completed		
Reporting		
Initial draft report submitted to Chief Internal Auditor for review		
Exit conference conducted & management responses requested		
Management responses received		
Second draft, with responses, submitted to Chief Internal Auditor and Client		
Final report and file submitted to peer for final review		
Report notes completed; return to auditor to clear notes		
Reporting notes cleared; return to peer reviewer		
Reporting review completed		
Final report and file submitted to Chief Internal Auditor or Audit Manager for QAP review		
Report issued		

SPECIAL REQUEST PROJECT CONTROL SHEET

Special Request Project Name and Number: _____

ACTIVITY	DATE	INITIALS
Planning		
Scheduled date of completion (per Planning Memo)		
Planning completed and submitted to Chief Internal Auditor or Audit Manager for review		
Planning notes cleared; return for approval		
Planning review completed		
Peer Review		
Fieldwork completed and working papers submitted to peer for review		
Working paper review completed; return to auditor to clear notes		
Working paper notes cleared; return to peer reviewer		
Working paper review completed		
Reporting		
Initial draft memorandum submitted to Chief Internal Auditor for review		
Exit conference conducted		
Final memorandum and file submitted to peer for final review		
Memorandum notes completed; return to auditor to clear notes		
Memorandum notes cleared; return to peer reviewer		
Reporting review completed		
Final memorandum and file submitted to Chief Internal Auditor or Audit Manager for QAP review		
Memorandum issued		

City of El Paso
Internal Audit Office

We expect our auditors to maintain objectivity of mental attitude in the conduct of all assigned assurance work, to be fair and impartial, and to conduct themselves so that clients and third parties will see the Office in this way. Each staff member must promptly notify the Chief Internal Auditor, in writing, concerning any situation that would impair the staff member's or the Office's objectivity on an audit, or that might lead others to question the objectivity. If a staff member has any doubt about whether a situation may be an impairment to objectivity, he or she should consult with the Chief Internal Auditor.

Employee: ______________________________ **Position:** ____________________

Client Name: ______________________________ **Audit Period:** ____________________

Possible Personal Impairments to My Objectivity on this Audit. I have reviewed my personal situation with respect to this audit. I am not aware of any circumstances that might impair my ability to be objective on the audit or that might lead others to question it, except as indicated below or on attached pages.

Type of Personal Impairment	**Not Applicable**	**Possibly Applicable**
Official, professional, personal, or financial relationships that might cause the auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant audit findings in any way (includes relatives employed by the client).	________	________
Preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit.	________	________
Previous responsibility for decision-making or managing an entity that would affect current operations of the entity or program being audited.	________	________
Biases, including those induced by political or social convictions, that result from employment in or loyalty to, a particular group, organization, or level of government.	________	________
Subsequent performance of an audit by the same individual who, for example, had previously approved invoices, payrolls, claims, and other proposed payments of the entity or program being audited.	________	________
Concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records.	________	________
Financial interest, direct or substantially indirect, in the audited entity or program.	________	________
Offer of or application for a position with the client during the preceding year (Note: an offer of or intention to apply for a position with the client once the audit is in progress must also be reported).	________	________

DETAILS MUST BE COMMUNICATED TO THE CHIEF INTERNAL AUDITOR BY CONFIDENTIAL MEMORANDUM.

Responsibility to Update this Disclosure. I understand that I am responsible for making a timely written notification to the Chief Internal Auditor in the event that any circumstance may arise during the course of this audit that might impair or appear to impair my objectivity with respect to the audit.

Signature: ______________________________ **Date:** ______________

City of El Paso
Internal Audit Office

Under Generally Accepted Government Auditing Standard (GAGAS) 3.43 titled Technical Knowledge and Competence as revised on January 2007 the team assigned to conduct an audit or attestation engagement under GAGAS must collectively possess the technical knowledge, skills, and experience necessary to be competent for the type of work being performed before beginning work on that assignment. Each staff member must promptly notify the Chief Internal Auditor, in writing, concerning any situation that would impair the staff member's or the Office's ability to comply with this standard. If a staff member has any doubt about whether a situation may prevent or impair compliance with this standard he or she should consult with the Chief Internal Auditor.

Employee: ______________________________ **Position:** ____________________

Client Name: ______________________________ **Audit Period:** ____________________

Possible Impairments to Technical Knowledge and Competence on this Audit. I have reviewed my personal situation with respect to this audit. I am not aware of any circumstances that might impair my ability to comply with GAGAS standard 3.43.

Description of Impairment The audit team assigned to a GAGAS audit or attestation engagement should collectively posses	**Not Applicable**	**Possibly Applicable**
a. knowledge of GAGAS applicable to the type of work they are assigned and education, skills, and experience to apply this knowledge to the work being performed;	________	________
b. general knowledge of the environment in which the audited entity operates and the subject matter under review;	________	________
c. skills to communicate clearly and effectively, both orally and in writing; and	________	________
d. skills appropriate for the work being performed. For example staff or specialist skills in	________	________
(1) statistical sampling if the work involves use of statistical sampling;	________	________
(2) information technology if the work involves review of information systems;	________	________
(3) engineering if the work involves review of complex engineering data;	________	________
(4) specialized audit methodologies or analytical techniques, such as the use of complex survey instruments, actuarial-based estimates, or statistical analysis tests, if such skills are important to; or	________	________
(5) specialized knowledge in subject matters, such as scientific, medical, environmental, educational, or any other specialized subject matter, if the work calls for such expertise.	________	________

DETAILS MUST BE COMMUNICATED TO THE CHIEF INTERNAL AUDITOR BY CONFIDENTIAL MEMORANDUM.

Responsibility to Update this Disclosure. I understand that I am responsible for making a timely written notification to the Chief Internal Auditor in the event that any circumstance may arise during the course of this audit that might impair or appear to impair my ability to comply with GAGAS standard 3.43 with respect to the audit.

Signature: ______________________________ **Date:** ______________

Entrance Meeting Checklist

Audit/SRP Name and Number:

Procedure	Initials/Date
Set the date, time, and location of the entrance meeting.	
Prepare and distribute an agenda for the meeting. The agenda should include the following:	
• Discussion of the audit/SRP scope and objectives (theirs and ours).	
• Identification of auditors assigned to the audit/SRP.	
• Estimated completion date.	
• Process of communication.	
• Distribution of findings.	
• Conditions and operations of the audit area (management changes, changes to systems, etc.).	
• Audit/SRP reporting process.	
• Client concerns.	
• Follow up process.	
Distribute *Request for Information* memo to management requesting documentation needed for the audit/SRP.	
Document the results of the entrance meeting.	
If applicable, arrange a tour of the audit/SRP area and meet personnel you will be working with during the audit/SRP.	

City of El Paso
Internal Audit Office
Name of Audit/SRP
Description of Work Paper
Date

ENTRANCE MEETING AGENDA
Department Name

I. **Introductions**

II. **Overview**

III. **Audit/SRP Objectives**

IV. **Duration and Scope of Work**

V. **Points of Contact**

VI. **Questions**

VII. **Address Management's Concerns**

GENERAL PROCEDURES

	Yes	No	N/A	Comments
1. Does the Department have a documented "Mission" statement? If yes, please attach a copy.				
2. Does the Department have documented goals and objectives? If yes, please attach a copy.				
3. What are the approximate annual expenditures of the Department?				
4. Are there established budgets for each expenditure type?				
5. Has the Department been subjected to other audits or similar reviews within the past three years for which a report is available?				
6. Are there internal policies and procedures, which are unique to the Department?				
7. Are there procedural manuals (City and Departmental) available to all personnel?				
8. Does the Department have access to City's operating procedures and policies?				
9. Does someone in the Department maintain the procedural manuals (updates and dispositions) listed above?				
10. Does the Department have a *Risk Assessment and Implementation Plan*?				
11. Are the Department's transactions reconciled to the Statement of Accounts? If so, by whom and how often?				
12. Does the Department Head review the account reconciliation and supporting documentation? If so, how often?				
13. Are employees' duties and responsibilities clearly defined?				

GENERAL PROCEDURES (con't)

	Yes	No	N/A	Comments
14. Are these duties and responsibilities documented (written job descriptions, etc.)? If written job descriptions or other documentation is available, when was the most recent update?				
15. Does the Department have a current organization chart? If yes, please attach a copy.				
16. Are performance evaluations completed and documented on an annual basis for all employees?				
17. Does the Department have a program for staff training and on-the-job cross training?				
18. Are duties of certain employees periodically rotated?				
19. Does the Department require that all employees take vacation?				
20. Are duties of employees while on vacation, performed by other employees?				
21. Are there any employees in the Department who have a controlling interest/investment in a business outside of the City? *If so, what is the nature of the business?*				
22. Does the Department have a relationship with this business?				
23. Are employees required to sign a conflict of interest or ethics statement annually?				
24. Are employees aware of prohibitions against conflicts of interest?				
25. Are there any unusual characteristics with respect to the Department (location of work performed, hours worked, contractors involved, etc.)?				
26. Are there any special issues or areas of concern to which the Department feels that Internal Audit should devote additional time? If so, please describe.				
27. Does the Department have any procurement cards (P-Cards) assigned to personnel? If yes, how many and to whom?				

GENERAL PROCEDURES (con't)

	Yes	No	N/A	Comments
28. Does the Department maintain a P-Card transaction log?				
29. Are original receipts kept on file for purchases made using the P-Card?				

EQUIPMENT AND INVENTORY PROCEDURES

	Yes	No	N/A	Comments
1. Does the Department have an up-to-date listing of all tangible assets apart from records available on PeopleSoft? Please attach a copy of the Department's list.				
2. Is an inventory of equipment and other assets taken? If so, how often and by whom?				
3. Are all items of the City properly labeled or marked with City property numbers?				
4. Is a record of all Office property locations maintained?				
5. Who maintains the aforementioned property lists?				
6. Are City property records maintained in electronic form?				
7. Who is responsible for inventory dispositions (transfers, disposals, etc.)?				
8. Is City property safeguarded from theft? Please provide a brief description on how property is safeguarded.				

DISBURSEMENT PROCEDURES

	Yes	No	N/A	Comments
1. Have procedures been established to ensure that expenditures are made in accordance with City guidelines or, when applicable, grant provisions?				
2. Are procedures in place to compare expenditures to budgeted projections and review routine expenditures for unusual trends?				
3. Who performs the functions of ordering, receiving, payment authorization and bookkeeping for purchases within the Department?				
4. Are purchase requisitions used for all disbursements over $3,000.00?				
5. Are goods shipped directly to the Department compared with approved purchase orders?				
6. Are packing slips or other receiving reports initialed to indicate such review?				
7. Does the Department have a petty cash fund(s)?				
8. Do employees purchase equipment or supplies with their own funds for which they are later reimbursed?				
9. Are disbursements supported by original invoices?				
10. Are all employees aware of the City policy with respect to the personal use of City equipment?				
11. Which employee(s) approve travel and entertainment vouchers?				
12. Who is used for all business related travel arrangements?				
13. Is there a requirement for original travel and entertainment receipts before reimbursement of employee travel and entertainment expenses?				

DISBURSEMENT PROCEDURES (con't)

	Yes	No	N/A	Comments
14. Are expenses claimed on the travel or entertainment vouchers appropriate and do they comply with the established City dollar guidelines?				
15. What is the nature of the products or services received from such contractors or consultants?				
16. Does the Department determine contractor work specifications or work schedules?				
17. Is the selection process unbiased and objectives?				
18. Does the Department own or lease City vehicles? If so, does the Department maintain a log of usage for each vehicle?				
19. Does the Department utilize City credit cards (including procurement and long distance calling cards)? If so, what are the names of employees who possess or control the use of the credit cards?				
20. Who is responsible for reconciling the Department's credit card usage?				
21. Does someone else review the reconciliation?				
22. Does the Department maintain cell telephones for employees? If so, how are billing statements reconciled?				
23. Does the Department maintain credit accounts with any vendors? If so, who are the vendors and which employees are authorized to charge purchases from each vendor?				
24. Who is responsible for making personnel appointment changes?				
25. Who reviews and approves these changes?				
26. Who is responsible for initiating the monthly hourly payroll process?				
27. Do both employee and immediate supervisor sign hourly payroll timesheets?				

DISBURSEMENT PROCEDURES (con't)

	Yes	No	N/A	Comments
28. Are hourly payroll timesheets reviewed for mathematical accuracy? If so, by whom and how often?				
29. Does the Department utilize an electronic time clock for its hourly employees?				
30. Are the Department's usage accounts, including those belonging to contracts or grants, reconciled on a monthly basis? If so, by whom?				
31. If usage accounts are reconciled, does the Department Head review the reconciliation?				

PAYROLL AND PERSONNEL PROCEDURES

	Yes	No	N/A	Comments
1. Is there a process in place to maintain sick and vacation leave records? If so, briefly explain the process and identify the person responsible for maintaining the records.				
2. Does the department use a separate form to request, approve, and record vacation leave, sick leave and other absences?				
3. Is overtime work paid by compensatory time off or through payroll?				
4. Who approves overtime? Is the approval in advance and in writing?				
5. Approximately how many employees in the department now have a compensatory leave balance in excess of 40 hours?				
6. Is payroll, including comp time, recorded on time sheets, timecards, or other documentation?				
7. Who approves time sheets?				
8. Which individuals have access to payroll records once processing is completed for a given month?				

PAYROLL AND PERSONNEL PROCEDURES (con't)

	Yes	No	N/A	Comments
9. Are the payroll expense reports reviewed on a monthly basis to determine the validity and accuracy of payroll charges and credits?				
10. Approximately how many payroll checks are received by the department each month?				
11. Who distributes these payroll checks and how are they distributed?				
12. Is there a log or other record of who received each paycheck?				
13. Who maintains unclaimed payroll checks and how are these safeguarded?				
14. Is there a standard form in use in the department to request a personnel action (hiring, work change, etc.)?				
15. Who approves personnel action forms?				
16. Are such personnel action forms reviewed for fund availability before being sent out of the office?				
17. Do personnel files (improperly) include items not directly related to the job, including pre-employment information, EEO data, credit reports, garnishments, grievances, and other such records?				
18. Is access to personnel records adequately restricted?				
19. Are written personnel evaluations completed at least annually for all full-time and part-time employees?				

COMPUTER SECURITY

	Yes	No	N/A	Comments
1. Has the Department ever experienced a theft of computer equipment? If so, explain nature of loss and preventative measures taken.				
2. Are surge protectors used to safeguard the Department's computer components against damage from electrical power surges?				
3. Are the Department's computer components and peripherals located near windows, heating vents, or indoor plants?				
4. Are rooms with significant computer components locked during non-business hours?				
5. Does the Department have a listing of software applications and operating systems currently installed in workstations? If so, are version numbers included on this list?				
6. Are all workstations in the Department password protected? If so, what types of passwords (i.e. boot up, screen saver, etc.) are enabled and how often are they changed?				
7. Has the Department identified applications, data, hardware, or software that requires an additional layer of security due to its confidential or sensitive nature?				
8. Are any workstations left unattended during business hours?				
9. Is there a staff member designated with the responsibility to store and protect all non-hard drive storage devices?				
10. Does the Department have anti-virus computer protection programs are in place? If so, how often are they updated?				
11. Are you aware of any information or telecommunication resources that are leased?				
12. Does the Department have a procedure for file back up and recovery?				

COMPUTER SECURITY (con't)

	Yes	No	N/A	Comments
13. Are you aware of any situation(s) in which a password is not used exclusively by the owner? If yes, please explain.				
14. Do employees have access to the Internet?				
15. Does the Department operate or utilize a file server? If so, what is the name of the file server and who is responsible for maintaining it?				
16. Has the Department experienced breaches of security, such as unauthorized access of information systems (hacking)? If yes, please explain.				
17. Does the Department maintain a listserv?				
18. Are employees informed of the City's policy regarding software copyright infringement? If so, how is this conveyed?				
19. Is there as designated staff member responsible for upgrading and maintaining workstations within the Department?				
20. Does the Department maintain a web page? If so, who is designated the responsibility for maintaining it?				
21. Does staff access any system on site remotely?				
22. Is there a procedure in place to report information security incidents?				

CASH HANDLING/DEPOSIT

	Yes	No	N/A	Comments
1. Does the department handle cash or collect money? If so, what is the average amount of monthly or annual deposits?				
2. What is done with cash or other money collected?				
3. Are all deposits made to the correct fund? (Normally deposits should be made to the fund from which related expenses are incurred).				
4. Are deposits made on a daily basis or according to City policy?				
5. If not immediately (i.e. daily) processed or deposited, are cash and check receipts safeguarded?				
6. Are bank deposits made intact, i.e., without the cashing of checks?				
7. Are adequate controls in place to ensure that revenues are collected for all services provided?				
8. Are checks made payable to City of El Paso?				
9. Are all checks restrictively endorsed immediately upon receipt?				
10. Does an employee who does not prepare deposits and does not have access to accounting records open incoming mail, which includes checks? If so, who is this employee?				
11. Does the employee assigned to the opening of incoming mail prepare a list of cash and checks received? If so, is this list reconciled to bank and book cash deposit records?				
12. Are sequentially pre-numbered receipts completed and initialed by the issuer when money is received?				
13. Is receipt stock adequately controlled and are unused receipts periodically accounted for?				
14. Are all copies of the pre-numbered receipts accounted for?				
15. Do persons other than those receiving payments and completing the receipts compare receipts to the supporting documentation?				

CASH HANDLING/DEPOSIT (con't)

	Yes	No	N/A	Comments
16. Does each person receiving cash have a separate drawer or register?				
17. Is access to the cash drawer or register adequately restricted to the responsible party?				
18. Does each person with a cash drawer or register balance out daily?				
19. Does someone not involved in the cash receipt function verify that balancing?				
20. Is there training for those receiving cash? If so, briefly describe the kind of training.				
21. Does the department receive installment or periodic payments? If so, are systems to monitor such payments adequate to ensure that all amounts due are received? Are all amounts due known and accounted for?				
22. Does the department have a cash fund (petty cash) used to purchase small-dollar items for City or department use? If so, what is the petty cash fund amount, where is it located and who is responsible for handling the fund.				
23. Are purchase receipts received for all petty cash disbursements?				
24. Do such purchase receipts adequately substantiate the disbursements from petty cash accounts? (Receipts should include date, vendor name, validated cash register receipt or other similar documentation, description of purchase and signature of the purchaser).				
25. Is the physical security of the petty cash fund (locked receptacle, limited access, etc.) maintained?				
26. Is there a summary of all petty cash expenditures maintained for review by appropriate personnel?				

Please comment on alternative control procedures used for any foregoing questions, which may appear to indicate an apparent lack of internal control.

Questionnaire completed by:

Name	**Title**	**Date**

Risk Assessment

RISKS ➡

#	**ACTIVITIES** ⬇		1		2		3		4		5		6	
1	Activity 1	HH	Risk	HM	Risk	HM	Risk	HM	Risk	HM	Risk	HL	Risk	HL
2	Activity 2	HH	Risk	HH	Risk	HM	Risk	HM	Risk	HL	Risk	HL	Risk	MM
3	Activity 3	HM	Risk	MH	Risk	MM	Risk	ML	Risk	ML	Risk	ML	Risk	-
4	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
5	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
7	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
8	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
9	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
10	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-

HH, HM	🟥	**= Extensive Risk Management & Considerable Risk Management (all Levels of Control* plus a traditional audit)**
HL, MH	🟨	**= Manage and Monitor (all Levels of Control but no traditional audit)**
MM, ML, LH	🟩	**= Monitor (only Execution Controls & Supervisory Controls)**
LM, LL	▨	**= Accept (accept the risk and have no controls)**

Use for Risk Management Plan:

🟥	**Audit work should be performed and the Division Director should perform the oversight controls to ensure that supervisory & execution controls are working.**
🟨	**The Division Director (or a designee) should perform oversight controls to ensure that the supervisory and execution controls are working.**
🟩	**Unit heads reporting to the Division Director should perform oversight function to see that supervisory and execution controls are working.**
▨	**Unit heads should ensure they are using supervisory controls to monitor the execution controls in their area.**

Checklist for Understanding the Audit Assignment and Scope

Audit Name and Number:

Activity	Yes	No	Initials/Date
Does the assignment sheet identify the area to be audited?			
Is it clear during what time period the audit will occur?			
Has a time budget been specified for the assignment?			
Have Team Members been identified?			
Does the assignment sheet identify the audit scope and objectives?			
Are extensive working papers required to support audit findings?			
Does the audit require an internal control assessment of computer systems?			
Is the audit purpose clearly documented in the assignment sheet?			
Should the auditor look for fraud, mismanagement and abuse?			
Should the audit include computer audit specialists?			
Is time an important constraint in this audit?			

Planning Memo

BACKGROUND INFORMATION

The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing* and City of El Paso's Plan to Enhance Internal Controls require an audit of {Enter the area to be audited}. Provide additional background on the area(s) to be audited.

AUDIT OBJECTIVES

The objective of this audit is {Enter the objective(s) of the audit this may be obtained from the assignment sheet}.

SCOPE OF WORK

{Enter the scope of the audit, for example time frame of audit, fiscal year etc. this may be obtained from the assignment sheet}.

RESOURCES NECESSARY TO PERFORM THE AUDIT

Auditors Assigned:
Reviewer:
IIA's International Standards for the Professional Practice of Internal Auditing
City of El Paso Policies and Procedures

AUDIT TIME TABLE

Planning:	Began
Fieldwork:	Target Date is
Reporting:	Target Date is

Prepared by: ______________________________

Approved by:______________________________

Planning Memo (Follow-up Audit)

BACKGROUND INFORMATION

The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing,* City of El Paso Internal Audit Office Plan to Enhance Internal Controls, require a post audit follow-up on all audit recommendations made to ascertain that appropriate action is taken on reported audit findings.

AUDIT OBJECTIVES

The objective of the follow-up process is to determine whether the audit findings have been adequately addressed and to ascertain that actions taken on audit findings remedy the underlying conditions. When a follow-up audit is performed, the auditor will designate one of the following descriptions to each management response and update the database accordingly:

- *Implemented*
  The finding has been addressed by implementing the original corrective action or an alternative corrective action.
- *In Progress*
  The corrective action has been initiated but is not complete.
- *Not Applicable*
  The recommendation is no longer applicable due to changes in procedures or changes in technology.
- *Not implemented*
  The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

We will conduct inquiries of management, observations and other tests as required.

SCOPE OF WORK

The Audit Follow-up will be limited to a review of findings in the Original Audit report titled *"Audit Title"* dated (report date).

RESOURCES NECESSARY TO PERFORM THE AUDIT

Auditors Assigned:
Reviewer:
IIA's International Standards for the Professional Practice of Internal Auditing

AUDIT TIME TABLE

Planning:	Began
Fieldwork:	Target Date is
Reporting:	Target Date is

Prepared by: ______________________________

Approved by:______________________________

City of El Paso
Internal Audit Office

Planning Memo (SRP)

BACKGROUND INFORMATION

Provide some details as to the nature of the Special Request Project.

AUDIT OBJECTIVES

The objective is to document the goals and objectives of the Special Request Project. Some examples include

Resolve an existing problem.

Review a process or procedure

Provide expertise in a particular area (financial, compliance, operational)

SCOPE OF WORK

Describe the scope of the project such as duration of the project areas to be reviewed.

RESOURCES NECESSARY TO PERFORM THE AUDIT

Auditors Assigned:
Reviewer:
Include other sources pertinent to the project

AUDIT TIME TABLE

Planning: Began
Fieldwork: Target Date is
Reporting: Target Date is

Prepared by: ________________________________

Approved by:________________________________

Dedicated to Outstanding Customer Service for a Better Community
SERVICE SOLUTIONS SUCCESS
THE CITY OF EL PASO
TEXAS

Mayor
John F. Cook

City Council

District 1
Ann Morgan Lilly

District 2
Susie Byrd

District 3
Emma Acosta

District 4
Carl L. Robinson

District 5
Rachel Quintana

District 6
Eddie Holguin Jr.

District 7
Steve Ortega

District 8
Beto O'Rourke

City Manager
Joyce A. Wilson

Engagement Letter

Date

Name
Title
Address.
City, ST, Zip

Dear Mr/s.:

The Internal Audit Office has scheduled a limited scope audit of the Department. This audit will tentatively begin on Date and will be conducted by ________________. The audit process includes:

- Planning
- Entrance meeting (to be scheduled at a later date)
- Fieldwork (detailed testing, interviews, etc.)
- Summation of fieldwork results
- Exit meeting
- Report preparation

The objectives of this audit are to determine whether the ________________ Department is operating in a control conscious environment. A control conscious environment is characterized by the activity's adequacy and effectiveness in improving risk management, controls and the governance processes. This will include evaluating the:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

The audit will rely on inquiries, observations, and testing of controls, to obtain sufficient documentation to provide assurance on the audit objectives. To assist in the evaluation of the above items we request that you complete the attached Internal Control Questionnaire (ICQ).

The scope of the audit is Fiscal year _______________. In preparation for the start of the fieldwork phase, and with your approval, we will coordinate the audit with yourself or your appropriate designee. As part of the planning process we will schedule an entrance meeting to provide additional information regarding the audit.

If there are areas you believe require additional attention or would benefit from our audit, please let me know.

Sincerely,

Edmundo S. Calderón, CIA, CGAP, MBA
Chief Internal Auditor

cc: Joyce Wilson, City Manager
Appropriate Personnel, Deputy City Manager

Dedicated to Outstanding Customer Service for a Better Community

SERVICE SOLUTIONS SUCCESS

THE CITY OF EL PASO
TEXAS

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Steve Ortega

District 8
Beto O'Rourke

City Manager
Joyce A. Wilson

Engagement Letter (Follow-up Audit)

Date

Name
Title
Address.
City, ST, Zip

Dear Mr/s.:

The Internal Audit Office has scheduled a follow-up audit to the XYZ Audit Report dated Month XX, 200Y. This audit will tentatively begin on Month XX, 200Y and will be conducted by Auditor Name. The follow-up audit process includes:

- Planning
- Entrance meeting (to be scheduled at a later date)
- Fieldwork (detailed testing, interviews, etc.)
- Summation of fieldwork results
- Exit meeting
- Report preparation

The objective of this audit is to determine whether the finding and recommendation concerning the lack of a ………………………… has been adequately addressed. The follow-up audit will rely on inquiries, observations, and other testing, to obtain sufficient documentation to provide assurance on the follow-up audit objective.

The scope of the audit will be based on actions accomplished by management as of the implementation date stated in the audit report. In preparation for the start of the fieldwork phase, and with your approval, we will coordinate the audit with yourself or your appropriate designee. As part of the planning process we will schedule an entrance meeting to provide additional information regarding the follow-up audit.

If you have any questions or concerns, please let me know.

Sincerely,

Edmundo S. Calderón, CIA, CGAP, MBA
Chief Internal Auditor

cc: Joyce Wilson, City Manager
Appropriate Personnel, Deputy City Manager

Dedicated to Outstanding Customer Service for a Better Community
SERVICE SOLUTIONS SUCCESS

Engagement Letter (Special Request Project)

Date

Name
Title
Address.
City, ST, Zip

Dear Mr/s.:

The Internal Audit Office has scheduled a Special Project to provide assessment services to the City of El Paso ___________ Department. This Special Project will tentatively begin on Date and will be conducted by __________________. The Special Project process includes:

- Planning
- Entrance meeting (to be scheduled at a later date)
- Fieldwork (detailed testing, interviews, etc.)
- Summation of fieldwork results
- Exit meeting
- Memorandum preparation

The objective of this engagement is to ________________. This Special Project will rely on inquiries, observations, and other tests as needed to obtain sufficient documentation to complete the Special Project objectives.

The time period covered will be fiscal year 2010. In preparation for the start of the fieldwork phase, and with your approval, we will coordinate this Special Project with yourself or your appropriate designee. As part of the planning process we will schedule an entrance meeting to provide additional information regarding the Special Project.

If you have any questions or concerns, please let me know.

Sincerely,

Edmundo S. Calderón, CIA, CGAP, MBA
Chief Internal Auditor

cc: Joyce Wilson, City Manager
Appropriate Personnel, Deputy City Manager

Mayor
John F. Cook

City Council

District 1
Ann Morgan Lilly

District 2
Susie Byrd

District 3
Emma Acosta

District 4
Carl L. Robinson

District 5
Rachel Quintana

District 6
Eddie Holguin Jr.

District 7
Steve Ortega

District 8
Beto O'Rourke

City Manager
Joyce A. Wilson

AUDIT PROGRAM

AUDIT OBJECTIVES

The audit objective is to determine if (Department) has a control conscious environment. We have characterized a control conscious environment as having the following:

1. An adequate level of internal control awareness.
2. Proper separation of duties and monitoring of vacation/sick leave and departmental accounts.
3. Appropriate authorization/approval of departmental expenditures.
4. Adequate safeguarding of financial, physical, and information assets.

AUDIT REFERENCES

1. Internal Audit Office Policies and Procedures Manual
2. The IIA International Standards for the Professional Practice of Internal Auditing
3. Generally Accepted Governmental Auditing Standards Yellow Book

Audit Step	Done By	Date	W/P Ref
I. Planning the Audit			
A. Assemble the audit file, including:			
1. Quality Assurance Program (QAP) Worksheet			
2. Audit Control Sheet			
3. Checklist for Working Papers			
4. Audit Assignment Sheet			
5. Auditor's Objectivity Statement			
6. Auditor's Technical Knowledge and Competence Statement			
7. Checklist for Understanding the Audit Assignment and Scope			
8. Entrance Meeting Checklist			
9. Exit Meeting Checklist			
B. Obtaining background information:			
1. For the area under review, obtain the following:			
a) An organizational chart			
b) Goals and objectives			
c) Relevant policies, procedures, laws, etc.			
d) Budgetary information and applicable financial data.			
e) Brief history or background of (Department). Refer to the Department's web page.			
2. Review prior year audit working papers, reports, and notes to future auditors, if applicable.			
3. Determine if other agencies have conducted similar audits.			

Audit Step	Done By	Date	W/P Ref
C. Issue the audit engagement letter. Must be reviewed and signed by the Chief Internal Auditor.			
D. Complete the Entrance Meeting Checklist.			
E. Perform an Internal Control Risk Assessment			
1. Identify the at-risk areas, given the scope and nature of the audit.			
2. Administer an Internal Control Questionnaire (ICQ).			
3. Review the ICQ and conduct additional audit procedures (interviews, personal observations, etc.), if needed.			
4. Prepare a risk assessment of at-risk areas and on the controls to be relied upon.			
5. Ensure audit procedures are tailored to address associated risks.			
F. Write the audit program.			
G. Prepare a Planning Memo.			
H. Complete the Checklist for Working Papers-Planning.			
I. Submit the Planning Memo and Audit Program to the Chief Internal Auditor for approval.			
II. Performing Audit Fieldwork			
A. Internal Control Awareness			
1. Review the department’s organizational chart for possible organizational weaknesses.			
2. Obtain a completed copy of the Department’s Risk Assessment and Implementation Plan, if available.			
3. Obtain a copy of the Department’s policy and procedure manual, if different from the Handbook of Operating Procedures, and review the manual to determine whether it provides adequate guidance for employees.			
4. Review the department’s goals and objectives.			
5. Determine whether the department has a mechanism in place to monitor the accomplishment of its goals and objectives.			
6. Summarize the results of testing.			
B. Separation of Duties and Monitoring			
Account Reconciliation			
1. Identify employees assigned the responsibility of reconciling departmental accounts. The reconciliation should include personal usage			

Audit Step	Done By	Date	W/P Ref
expenditures such as, long distance, procurement card transactions, petty cash fund, leasing vehicles, cell phones.			
2. Document the account reconciliation preparer's procedure used to perform the reconciliation.			
3. Document the procedure used by the Department Head for verifying and reviewing the reconciliation.			
4. Select the most recent account reconciliations (covering at least 2 months activity) and verify that the Department Head reviewed and documented the review of the account reconciliation.			
5. Verify the account reconciliation for completeness.			
6. Verify that personal expenses for personal usage accounts (long distance, petty cash fund, leasing vehicles, cell phones, credit cards, etc.) were reimbursed to the City.			
Vacation & Sick Leave			
1. Document the Department's procedure for reporting vacation and sick leave.			
2. Determine who is primarily responsible for updating vacation and sick leave and verify who updates that person's leave.			
3. Determine whether vacation and sick leave is properly reviewed and approved in a timely manner.			
4. Select a sample of vacation/sick leave forms and compare them to the *Monthly Report of Vacation and Sick Leave* for completeness and accuracy.			
5. Summarize the results of testing.			
C. Safeguarding of Financial Assets (Authorization, Approval and Accuracy)			
Voucher Testing			
1. Determine who has approval authority over departmental expenditures.			
2. Determine the appropriateness of the employees' manual approval.			
3. Determine the appropriateness of the employees' electronic approval of documents.			
4. Verify that supporting documentation for vouchers is appropriate for the department and appropriately approved.			

Audit Step	Done By	Date	W/P Ref
5. Foot the supporting documentation and verify its accuracy. Review the: • Mathematical accuracy of the voucher. • Sales tax reimbursement(s).			
6. From your sample, obtain copies of cancelled checks (from General Accounting) for vouchers where the payee is an individual. Inspect each cancelled check for recurring, secondary endorsements.			
7. If recurring, secondary endorsements are identified in audit Step #11 above, obtain copies of official signatures on file for those individuals and compare signatures.			
8. Summarize the results of testing.			
P-Card Testing			
1. Obtain a list of all employees who are assigned a P-Card and verify that the cardholder is still employed.			
2. Select a sample of P-Card transactions (VP7 documents) and verify that: • sales tax was not paid on the purchase. • reimbursements are made to the City for personal use items and for inadvertent sales tax payments. • there are no split orders, i.e. purchases must not exceed $1,000 (including handling charges, freight, and transportation). • unallowed purchases were not made. • supporting documentation is available, i.e. ensure that original receipts are provided. • Texas contract terms are being followed.			
3. Verify that a Transaction Log is being maintained by the Department and reviewed by the Department Head.			
4. Summarize the results of testing.			

Audit Step	**Done By**	**Date**	**W/P Ref**
D. Payroll Audit Procedures			
Hourly Payroll			
1. Obtain list of hourly employees working in the Department.			
2. Based on the population size, either select a sample of employees or use the entire population for testing.			
3. Prepare an *Hourly Payroll Sign-Off* sheet.			
4. Submit a request in writing (e-mail) to the Payroll Manager requesting the payroll checks for the upcoming pay period based on your selected sample of hourly employees. Also request the *Payroll Bank Account Check Register* for those employees.			
5. Briefly explain the hourly testing procedure to your Department contact person and ask that all hourly employees (your sample) be prepared to show proper identification in order to pick up their paychecks.			
6. On payday, the fifth working day of the month, pick up the payroll checks, in unsealed envelopes, from the Payroll Office and distribute c s to employees after obtaining heck proper identification and signature.			
7. Investigate any unclaimed checks.			
8. Request copies of detailed timesheets from the Department contact person.			
Time Sheet Testing			
1. Verify the following time sheet attributes: • Employee signature • Supervisor signature • Department Head signature • The mathematical accuracy on the time sheet, i.e. number of hours worked. • The time sheet supports the number of hours the employees is being paid for.			
2. Investigate emergency payroll checks, if any.			
3. Summarize the results of all payroll and time sheet testing.			
E. Safeguarding of Physical Inventory Assets			
1. Select a sample of high-risk and/or high-dollar assets for testing.			
2. Prepare a work paper listing the sample and criteria to be used for testing.			

Audit Step	Done By	Date	W/P Ref
3. Verify the sample of items selected for existence and if properly safeguarded.			
4. Obtain documentation related to: • Items removed from campus. • Missing items. • Stolen items (Police Reports).			
5. Summarize the results of testing.			
F. Safeguarding of Informational Assets			
1. Briefly describe the systems operations layout, particularly, critical machines or applications.			
2. Determine appropriateness and adequacy of password procedures (e.g. passwords kept confidential and changed frequently).			
3. Evaluate the Department's policy pertaining to the safeguarding of personal student information, i.e. grades.			
4. Determine if software has proper licensing.			
5. Determine if there is an awareness in (Department) for physical and electronic computer security.			
6. Determine if timely back-ups are performed.			
7. Determine how sensitive and confidential computer output is discarded.			
8. Summarize the results of testing.			
III. Reporting the Results			
A. Prepare the Potential Report Findings Worksheets.			
B. Prepare a draft copy of the audit report and reference the report to the working papers.			
C. Complete the Checklist for Working Papers-Fieldwork.			
D. Submit audit file for peer review.			
E. Clear working paper review points.			

Audit Step	Done By	Date	W/P Ref
IV. Concluding the Audit			
A. Issue draft copy of report to the Chief Internal Auditor for review.			
B. Modify report accordingly.			
C. Schedule an Exit Meeting and complete the Exit Meeting Checklist.			
D. Issue a draft copy of the audit report to management for their response.			
E. Incorporate management's response in the audit report.			
F. Complete Checklist for Working Papers-Reporting.			
G. Submit working papers to peer for final review.			
H. Clear working paper review points.			
I. Issue draft copy of audit report, with management's response.			
J. Modify report accordingly.			
K. Place the file in a red pressboard, label, and prepare for QAP review.			
L. Submit the audit file to Chief Internal Auditor or Audit Manager for QAP review.			
M. Issue the audit report. • Print a color copy of the report for each person listed on the distribution list, excluding LRC. • Print two additional colored copies. • Post Report on Website			
N. Distribute Audit Survey to Client.			
O. Conduct Audit Debrief			
P. Update Permanent File and place in filing cabinet.			

Chief Internal Auditor Date Auditor Date

Follow-Up Worksheets

1st Follow-up Audit Worksheet

Finding No.	**Name of Audit Report (date of audit report) Findings**	**Name of Audit Report (date of audit report) Recommendations**	**Name of Audit Report (date of audit report) Management's Responses**	**Follow-Up Audit Steps**	**A**	**B**	**C**	**D**
1	List each finding identified in the original audit report.	List recommendations to each finding identified in the original audit report.	List Management's Response to findings and recommendations. If applicable, list Chief Internal Auditor's Response to Management's response.	List follow-up audit steps that will be conducted during follow-up audit.				
2								

2nd Follow-up Audit Worksheet

Finding No.	**Name of Audit Report (date of audit report) Findings**	**Name of Audit Report (date of audit report) Recommendations**	**Name of Audit Report (date of audit report) Management's Responses**	**1st Follow-Up Current Observation of Pending Items**	2nd Follow-Up **Audit Steps**	**A**	**B**	**C**	**D**
1	List each finding identified in the original audit report.	List recommendations to each finding identified in the original audit report.	List Management's Response to findings and recommendations. If applicable, list Chief Internal Auditor's Response to Management's response.	List observation during 1st follow-up audit. If the finding cleared during the 1st follow-up audit state "there are no pending items for this finding. Finding was classified as ____________ and a brief description why."	If applicable, list second follow-up audit steps. If finding cleared during 1st follow-up audit, state "No 2nd follow-up audit steps required."				
2									

Prepared by: ________________________________

Approved by: ________________________________

A – Implemented
B – In Progress
C – Not Applicable
D – Not Implemented

Exit Meeting Checklist

Audit/SRP Name and Number:

Procedure	Initials/Date
Set the date, time, and location of the exit meeting.	
Prepare and distribute an agenda for the meeting. The agenda should include the following:	
• Accomplishment of the audit/SRP objectives (theirs and ours).	
• Discussion of potential audit/SRP findings and recommendations (if applicable).	
• Discussion of when management's response will be due.	
• Audit/SRP reporting process.	
• Follow up process.	
Document results of the exit meeting.	

City of El Paso
Internal Audit Office
Date

EXIT MEETING AGENDA
Department Name

I. **Introductions**

II. **Overview**

III. **Audit/SRP Objectives Accomplished**

IV. **Discussion of Audit Report Draft or SRP Memorandum**

V. **Discussion of Management Responses (if applicable)**

VI. **Questions**

City of El Paso
Internal Audit Office

Name of Audit/SRP
Summary Memo
Date

Purpose: This testing is designed to document the procedures performed during the fieldwork stage.

Source: Document the source of the data tested, inquiries, or copies of documents obtained.

Procedures: List in narrative form the procedures performed.

List in bullet format exceptions found in your tests, or items which need to be highlighted (See Examples below)

- ☐ Voucher J142424 was not in our scope as it was a journal voucher, this Journal Voucher was prepared by Accounts Payable as it was for payment of a State Warrant payment.

- ☐ Document ID M2VP2988168 dated 5/14/01was originally approved for payment but was deleted from the voucher payment process as this transaction was for travel reimbursement. Thus to avoid being paid through the payable cycle the transaction was flagged for deletion.

Conclusion: Summarize the results of your tests, inquiries and observations.

City of El Paso
Internal Audit Office

Name of Audit/SRP
Potential Report Findings Worksheet
Date (Month, Date, Year)

Potential Report Findings Worksheet	
Area Under Review:	**Finding Number: 1**
Finding:	
Criteria:	
Cause:	
Significance:	
Recommendation:	
Reference:	

City of El Paso
Internal Audit Office

Name of Audit/SRP
Standard Tick Mark Legend
Date

Tick mark	Description
	Use these tick marks to document procedures performed during an engagement.
CF	Cross Footed
F	Footed
FS	Agrees to Financial Statements
N/A	Not applicable
Pass	Amount is immaterial, no further audit work is deemed necessary (auditor should state a brief reason for the pass on additional work, and should initial and date note)
PY	Agrees to prior year’s financial statements
T	Item traced to general ledger
V	Item vouched to source document
	The following should be used when conducting attribute tests.
X	Exception noted for attribute tested
Yes	Agrees to criteria/attribute tested
No	Does not agree to criteria/attribute tested

Quality Assurance Program Worksheet

Audit Name and Number:

Each audit file should contain:

1. ___ Audit Control Sheet
2. ___ A copy of the report that is referenced to the working papers
3. ___ An Audit Assignment Sheet (referenced as "A")
4. ___ A completed audit program (referenced as "B")
5. ___ Planning documentation (background information, engagement letter, auditor's objectivity statement, planning memo, etc.)
6. ___ Entrance Meeting documentation
7. ___ Documentation of internal control risk assessment
8. ___ Evidence of audit work related to reliability and integrity of information
9. ___ Evidence of audit work related to compliance with policies, laws, etc.
10. ___ Evidence of audit work related to safeguarding of assets
11. ___ Evidence of audit work related to economical & efficient use of resources
12. ___ Evidence of audit work related to accomplishment of goals & objectives
13. ___ Evidence of audit work related to IS review
14. ___ Indexed, cross-referenced, and approved working papers
15. ___ Potential Report Findings Worksheet
16. ___ Exit Meeting documentation
17. ___ Management's responses to findings and recommendations
18. ___ All documents, forms, working papers, schedules, etc. should be:
    - properly titled
    - organized
    - initialed by the preparer and the reviewer
    - securely fastened in the file
19. ___ Schedule an audit debrief with the Chief Internal Auditor
20. ___ Prepare and send a standard Quality Service Survey to our audit client
21. ___ The file folder should have a label with the name & number of the audit

Auditor assigned ________________________

Peer reviewer ________________________

QAP reviewer ________________________

Quality Assurance Program Worksheet (Follow-up Audit)

Follow-up Audit Name and Number:

Each audit file should contain:

1. ___ An Audit Assignment Sheet
2. ___ The Final Follow-Up Report must be referenced to the working papers
3. ___ Planning documentation (background information, engagement letter, planning memo, auditor's objectivity statement, etc.)
4. ___ Evidence of audit work related to the implementation of the original audit recommendation(s).
5. ___ Indexed, cross-referenced, and approved working papers
6. ___ Status of recommendations (Implemented or In Progress)
7. ___ Notes to future auditors
8. ___ All documents, forms, working papers, schedules, etc. should be:
    - Properly titled
    - Organized
    - Initialed by the preparer and the reviewer
    - Securely fastened in the file
9. ___ Schedule an audit debrief with the Chief Internal Auditor
10. ___ Prepare and send a standard Quality Service Survey to our audit client
11. ___ The file folder should have a label with the name & number of the audit

Auditor assigned ________________________

Peer reviewer ________________________

QAP reviewer ________________________

Quality Assurance Program Worksheet (Special Request Projects)

Project Name and Number:

Each project file should contain:

1. ___ A copy of the project memoranda that is referenced to the working papers
2. ___ A Project Assignment Sheet
3. ___ Planning documentation (engagement letter, related checklists, auditor's objectivity statement, auditor's technical knowledge and competence statement, etc.)
4. ___ Entrance Meeting documentation, if applicable
5. ___ Evidence of test work performed
6. ___ Properly indexed, referenced & cross-referenced working papers
7. ___ Summary sheets documenting results of testing
8. ___ Documentation of all relevant correspondence (interviews, meetings, etc.)
9. ___ Management's responses to findings and recommendations, if applicable
10. ___ Exit Meeting documentation, if applicable
11. ___ Notes to future auditors, if applicable
12. ___ All documents, forms, working papers, schedules, etc. should be:
    - properly titled
    - organized
    - initialed by the preparer and the reviewer
    - securely fastened in the file
13. ___ Schedule an audit debrief with the Chief Internal Auditor
14. ___ Prepare and send a standard Quality Service Survey to our audit client
15. ___ The file folder should have a label with the name & number of the project

Auditor assigned ______________________

Peer reviewer ______________________

QAP reviewer ______________________

WORKING PAPER REVIEW POINTS

Assignment Name and Number:

No.	W/P Ref.	Comments/Questions	Disposition
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
14			
15			
Reviewer:			Date:

City of El Paso
Internal Audit Office

Name of Audit
Checklist For Working Papers
Date

	Preparer		Reviewer	
Audit / Follow-up Audit Name & No.:	**Yes**	**N/A**	**Yes**	**N/A**
PLANNING				
Audit program conforms to the standard format and includes the standard steps.	______	_______	_______	______
Audit program is approved.	______	_______	_______	______
Audit program steps are cross-referenced to the working papers.	______	_______	_______	______
Audit program steps are completed and initialed.	______	_______	_______	______
A Planning Memorandum has been prepared.	______	_______	_______	______
A Detailed Time Budget has been prepared.	______	_______	_______	______
A time budget (i.e.: number of hours and estimated date of completion) has been agreed upon.	______	_______	_______	______
Working papers are neat, legible, and readily understandable.	______	_______	_______	______

Preparer: ______________________________ Date: _____________

Reviewer: ______________________________ Date: _____________

City of El Paso
Internal Audit Office

Name of SRP
Checklist For Working Papers
Date

SRP Name & No.:	Preparer Yes	Preparer N/A	Reviewer Yes	Reviewer N/A
PLANNING				
SRP format conforms to the standard format and includes the standard steps.	______	______	______	______
SRP procedures are cross-referenced to the working papers.	______	______	______	______
SRP procedures are completed and initialed.	______	______	______	______
A Planning Memorandum has been prepared.	______	______	______	______
A Detailed Time Budget has been prepared.	______	______	______	______
A time budget (i.e.: number of hours and estimated date of completion) has been agreed upon.	______	______	______	______
Working papers are neat, legible, and readily understandable.	______	______	______	______
Auditor's Objectivity Statement has been completed.	______	______	______	______
Auditor's Technical Knowledge and Competence Statement has been completed.	______	______	______	______

Preparer: ______________________________ Date: ____________

Reviewer: ______________________________ Date: ____________

City of El Paso
Internal Audit Office

Name of Audit/SRP
Checklist For Working Papers
Date

	Preparer		Reviewer	
Audit/SRP Name & No.:	**Yes**	**N/A**	**Yes**	**N/A**
FIELDWORK				
Audit program steps/SRP procedures are cross-referenced to the working papers.				
Audit program steps/SRP procedures are completed and initialed.				
Sampling plans are documented.				
Working papers contain appropriate headings so that they are readily identifiable.				
Working papers are properly indexed.				
Working papers are cross-referenced.				
Working papers are initialed and dated by preparer and reviewer.				
Working papers are prepared in accordance with the department's standards.				
All working papers are necessary. Irrelevant audit material has been removed from the audit/project file.				
Sources of information are identified.				
Summary sheets have been prepared, documenting the results of each area tested.				
Numerical schedules/calculations are footed, cross-footed, or recalculated.				
All explanations are complete and all tick marks are explained.				

Audit/SRP Name & No.:

FIELDWORK

	Preparer		**Reviewer**	
	Yes	**N/A**	**Yes**	**N/A**
Findings are logical and are supported by adequate working paper evidence.				
Findings are cross-referenced to working-papers.				
Recommendations are logical, feasible, and are supported by adequate working paper evidence.				
Working papers are neat, legible, and readily understandable.				
Working papers support the conclusions and opinions stated in the Summary Sheets, and Potential Findings Worksheets.				
A “Notes to Future Auditors” working paper, which includes suggestions for future audits/projects, has been prepared.				
Audit/SRP evidence obtained is sufficient to meet the audit/SRP objectives, competent as to reliability, and relevant to the audit/SRP objectives.				
Audit/SRP objectives have been accomplished.				

Preparer: ____________________________ Date: ______________

Reviewer: ____________________________ Date: ______________

City of El Paso
Internal Audit Office

Name of Audit
Checklist For Follow-up Working Papers
Date

Follow-up Audit Name & No.:	Preparer **Yes**	 **N/A**	Reviewer **Yes**	 **N/A**
FIELDWORK				
Sampling plans are documented.	______	______	______	______
Working papers contain appropriate headings so that they are readily identifiable.	______	______	______	______
Working papers are properly indexed.	______	______	______	______
Working papers are cross-referenced.	______	______	______	______
Working papers are initialed and dated by preparer and reviewer.	______	______	______	______
Working papers are prepared in accordance with the department’s standards.	______	______	______	______
All working papers are necessary. Irrelevant audit material has been removed from the audit file.	______	______	______	______
Sources of information are identified.	______	______	______	______
Summary sheets have been prepared, documenting the results of each area tested.	______	______	______	______
Numerical schedules/calculations are footed, cross-footed, or recalculated.	______	______	______	______
All explanations are complete and all tick marks are explained.	______	______	______	______
Findings are logical and are supported by adequate working paper evidence.	______	______	______	______
Findings are cross-referenced to working-papers.	______	______	______	______

Follow-up Audit Name & No.:	Preparer Yes	Preparer N/A	Reviewer Yes	Reviewer N/A
FIELDWORK				
Recommendations are logical, feasible, and are supported by adequate working paper evidence.	______	______	______	______
Working papers are neat, legible, and readily understandable.	______	______	______	______
Working papers support the conclusions and opinions stated in the Overall Memo, Summary Sheets, and Potential Findings Worksheets.	______	______	______	______
A "Notes to Future Auditors" working paper, which includes suggestions for future audits, has been prepared.	______	______	______	______
Audit evidence obtained is sufficient to meet the audit objectives, competent as to reliability, and relevant to the audit objectives.	______	______	______	______
Recommendations from the original audit have been identified as implemented or in progress.	______	______	______	______
For recommendations in progress a date of completion and a responsible party has been identified and documented.	______	______	______	______
Audit objectives have been accomplished.	______	______	______	______

Preparer: ______________________________ Date: ______________

Reviewer: ______________________________ Date: ______________

City of El Paso
Internal Audit Office

Name of Audit/SRP
Checklist For Working Papers
Date

Audit/SRP Name & No.:	Preparer **Yes**	 **N/A**	Reviewer **Yes**	 **N/A**
REPORTING				
Working paper discrepancies noted by the reviewer have been addressed.	______	______	______	______
Audit program steps/SRP procedures are cross-referenced to the working papers.	______	______	______	______
Audit program steps/SRP procedures are completed and initialed.	______	______	______	______
Findings are logical.	______	______	______	______
Findings are cross-referenced to working papers.	______	______	______	______
Recommendations are logical and feasible.	______	______	______	______
Management's responses are included.	______	______	______	______
A draft copy of the audit report/SRP memorandum is referenced to the working papers.	______	______	______	______
Audit/SRP evidence obtained is sufficient to meet the audit/SRP objectives, competent as to reliability, and relevant to the audit/SRP objectives.	______	______	______	______
Audit/SRP objectives have been accomplished.	______	______	______	______
Working papers are neat, legible, and readily understandable.	______	______	______	______

Preparer: ______________________________ Date: ______________

Reviewer: ______________________________ Date: ______________

Name of Audit
Checklist For Follow-up Working Papers
Date

	Preparer		Reviewer	
Follow-Up Audit Name & No.:	**Yes**	**N/A**	**Yes**	**N/A**
REPORTING				
All working paper discrepancies noted by the reviewers (during planning and fieldwork) have been addressed by the auditor.	______	______	______	______
Findings are logical.	______	______	______	______
Findings are cross-referenced to working papers.	______	______	______	______
Recommendations are logical and feasible.	______	______	______	______
Management's responses are included.	______	______	______	______
A draft copy of the audit report is referenced to the working papers.	______	______	______	______
Audit evidence obtained is sufficient to meet the audit objectives, competent as to reliability, and relevant to the audit objectives.	______	______	______	______
Audit objectives have been accomplished.	______	______	______	______
Working papers are neat, legible, and readily understandable.	______	______	______	______

Preparer: ______________________________ Date: ______________

Reviewer: ______________________________ Date: ______________

City of El Paso
Internal Audit Office

REPORT TITLE

DRAFT

Issued by the
Internal Audit Office
Date

[Department Audited]
[Audit Assignment Number if Applicable]

EXECUTIVE SUMMARY

Restate conclusion(s) for each audit objective and summarize significant findings and recommendations (Typically not more than one page in length).

BACKGROUND

Provide background information about the purpose/mission of the area audited. Indicate whether or not this is a follow-up on a previous audit.

AUDIT OBJECTIVES

List Audit Objectives

SCOPE & METHODOLOGY

Identify audited activities, time period audited, and nature and extent of audit tests performed.

AUDIT RESULTS

This section should be restricted to documented factual statements, which can be substantiated. Statements of opinion, assumption and conclusion, such as" "violation of Rules and Regulations," "management is ineffective," and "internal control is poor," should be avoided.

Each recommendation should be preceded with a discussion of the finding and followed by management's response to the recommendation. If management's response is too lengthy to include in the body of the report, a summary of the response should be included in the report with complete response attached to the report (i.e., Appendices).

SIGNIFICANT FINDINGS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

The definition of a significant finding is one that has a material effect on the City of El Paso's financial statements, identifies an internal control breakdown, a violation of a City procedure, law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as an "Other Finding".

Finding 1
Recommendation

Management's Response **Responsible Party** **Implementation Date**

OTHER FINDINGS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

Finding 2
Recommendation
Management's Response **Responsible Party** **Implementation Date**

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

The auditor's opinion or conclusion based on the objectives of the audit should be stated.

____
Chief Internal Auditor

____
Manager/Supervisor/Auditor

Distribution List

APPENDICES (If required)

[Department Audited]
[Audit Assignment Number if Applicable]

EXECUTIVE SUMMARY

Summarize each original finding using the following table format and include the status of each audit finding:

Finding No.	Description of Findings	Status
1	Summary of original audit report finding.	
2		

BACKGROUND

Provide background information about the purpose/mission of the area audited. Indicate whether or not this is a follow-up to a previous audit or follow-up to a follow-up.

AUDIT OBJECTIVES

List Audit Objectives

SCOPE & METHODOLOGY

Identify audited activities, time period audited, and nature and extent of audit tests performed.

AUDIT RESULTS

This section should be restricted to documented factual statements, which can be substantiated. Statements of opinion, assumption and conclusion, such as" "violation of Regents' Rules and Regulations," "management is ineffective," and "internal control is poor," should be avoided.

The status of each follow-up item should be preceded with the original finding and recommendation followed by management's response to the recommendation. Use the format, which applies, see the samples below.

Use the following format for recommendations implemented or in progress.

ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S RESPONSE TO ORIGINAL FINDINGS, CURRENT OBSERVATION, AND STATUS

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

Implemented	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
In Progress	The corrective action has been initiated but is not complete.
Not Applicable	The recommendation is no longer applicable due to changes in procedures or changes in technology.
Not Implemented	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Finding 1

Example: Control Conscious Environment

Include original audit report finding.

Recommendation

Include original audit report recommendation.

Management's Response

Include management's response to original audit report recommendation.

Responsible Party

Individual responsible for corrective action.

Implementation Date

Date the corrective action will be implemented.

Current Observation

Include a summary of the current observation on corrective actions taken.

Status

Implemented

Finding 2 **Example: Control Conscious Environment** Include original audit report finding.
Recommendation Include original audit report recommendation.
Management's Response Include management's response to original audit report recommendation. **Responsible Party** Individual responsible for corrective action. **Implementation Date** Date the corrective action will be implemented.
Current Observation Include a summary of corrective actions not taken. **Status** In Progress

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

The auditor's opinion or conclusion based on the objectives of the audit should be stated.

Chief Internal Auditor

Manager/Supervisor/Auditor

Distribution List

APPENDICES (If required)

Dedicated to Outstanding Customer Service for a Better Community

SERVICE SOLUTIONS SUCCESS

THE CITY OF EL PASO TEXAS

Management Letter

Date

Name
Title
Address.
City, ST, Zip

Dear Mr./Ms. :

During the audit the following items came to our attention that are of a reportable nature and may involve a potential internal control weakness that we feel you must be made aware of. The following is a short description of each potential internal control weakness:

1.

Recommendation

2.

Recommendation

3.

Recommendation

This list of potential internal controls weaknesses is based on our limited review of the internal controls. In order to determine if a significant internal control breakdown has occurred, additional audit work would be necessary. These concerns are being communicated to you as a risk management tool. You will need to determine if additional follow-up will be necessary.

It has been a pleasure assisting you in evaluating the internal controls associated with the above audit. I would like to thank your department for all the courtesies and assistance during our audit. If you require any additional assistance or information please feel free to contact me.

Sincerely,

Edmundo S. Calderón, CIA, CGAP, MBA
Chief Internal Auditor

cc: Joyce Wilson, City Manager
Appropriate Personnel, Deputy City Manager

Mayor
John F. Cook

City Council

District 1
Ann Morgan Lilly

District 2
Susie Byrd

District 3
Emma Acosta

District 4
Carl L. Robinson

District 5
Rachel Quintana

District 6
Eddie Holguin Jr.

District 7
Steve Ortega

District 8
Beto O'Rourke

City Manager
Joyce A. Wilson

Dedicated to Outstanding Customer Service for a Better Community

SERVICE SOLUTIONS SUCCESS

THE CITY OF EL PASO TEXAS

INTERNAL AUDIT OFFICE

DATE:

TO: Name of Person Requesting SRP

FROM: Chief Internal Auditor

SUBJECT: Name of SRP

At your request, the Internal Audit Office conducted a review of [Describe the nature of the SRP].

Results and Conclusion

Describe and list your observations and conclusions based on the work performed during the fieldwork.

OBSERVATION 1

RECOMMENDATION

OBSERVATION 2

RECOMMENDATION

Please review this memorandum at your convenience. If you have any questions please feel free to contact me at extension 4402.

cc: Joyce Wilson, City Manager
Appropriate Personnel

Mayor
John F. Cook

City Council

District 1
Ann Morgan Lilly

District 2
Susie Byrd

District 3
Emma Acosta

District 4
Carl L. Robinson

District 5
Rachel Quintana

District 6
Eddie Holguin Jr.

District 7
Steve Ortega

District 8
Beto O'Rourke

City Manager
Joyce A. Wilson

City of El Paso
Internal Audit Office

Name of Audit/SRP
Debrief Form
Date

1. Describe the most efficient and effective aspect of the audit/SRP.

2. Describe the least efficient and effective aspect of the audit/SRP.

3. Were the hours allocated for the audit/SRP adequate to complete the work? In total? By phase?

	Budget	Actual	Variance
Planning			
Fieldwork			
Review			
Report			
Other (meetings)			
Total			

4. During the audit/SRP were there audit/SRP changes requiring adjustment to the objectives or scope?

5. What areas do you feel you could have used additional support (provide details)?
   - ☐ Training
   - ☐ Planning
   - ☐ Fieldwork
   - ☐ Review
   - ☐ Reporting

6. Client Relations – Describe the interaction between the applicable clients.

☐ Senior (Directors, Etc.)	☐ Poor	☐ Good	☐ Excellent
☐ Mid-Management	☐ Poor	☐ Good	☐ Excellent
☐ Staff	☐ Poor	☐ Good	☐ Excellent

7. Were there instances or issues requiring interdepartmental communications to resolve these issues?

8. Auditors involved in the audit/SRP: ________________________________

   Reviewer: ____

   QAP Reviewer: ____

Dedicated to Outstanding Customer Service for a Better Community

SERVICE SOLUTIONS SUCCESS

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City Council

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Eddie Holguin Jr.

District 7
Steve Ortega

District 8
Beto O'Rourke

City Manager
Joyce A. Wilson

Date

Name
Title
Address
City, ST, Zip

Dear Mr./Ms:

The Internal Audit Office at the City of El Paso is requesting your assistance in completing the attached Quality Service Survey. The purpose of the survey is to:

1. Assess the efficiency and effectiveness of the Internal Audit Office.
2. Identify opportunities, ideas and counsel for improving the performance of the Internal Audit Office.
3. Provide an opinion as to whether the Internal Audit Office provided a value added service to your department during the recent audit engagement.

Since this survey is being sent to obtain information to assess our level of service to you, and so we may maintain the integrity of your responses please return your comments on the original form to:

Mr. William F. Studer, Jr.
Deputy City Manager Finance and Public Safety
2 Civic Center Plaza
City Hall – 9th Floor

You may of course incorporate the comments of your staff on the original response form. Please return in the enclosed envelope on or before ____________. Your response will be kept entirely confidential. Without identifying specific respondents, a summary of the responses will be shared with the Internal Audit Office's management team.

Thank you for your constructive comments.

Sincerely,

Edmundo S. Calderón, CIA, CGAP, MBA
Chief Internal Auditor

cc: Joyce Wilson, City Manager
William F. Studer, Deputy City Manager

City of El Paso
Internal Audit Office

AUDIT CLIENT SURVEY FOR XYZ AUDIT

Please rate the Internal Audit Office at the City of El Paso in the following areas. If you cannot respond to a question, simply draw a line through it. Please circle only one number per response.

Evaluation Criteria		**E**	**G**	**F**	**P**
1.	Internal Auditing as a valued member of the management team.	4	3	2	1
2.	Organizational placement of the internal auditing function to ensure unhampered activity and achieve their internal auditing objectives.	4	3	2	1
3.	Auditors have free and unrestricted access to records, information, locations, and employees to perform their audits.	4	3	2	1
4.	The internal audit activity promotes a customer orientation by providing quality work.	4	3	2	1
Audit Staff					
5.	Objectivity of the Internal Auditors.	4	3	2	1
6.	Professionalism of auditors.	4	3	2	1
7.	Knowledge of your business process/success factors.	4	3	2	1
8.	Quality of relationship and rapport between auditors and your department.	4	3	2	1
Scope of Audit Work					
9.	Selection of important operating areas for audit.	4	3	2	1
10.	Pre-audit notification to you of audit purpose and scope.	4	3	2	1
11.	Inclusion of your suggestions for areas to audit.	4	3	2	1
Audit Process and Report					
12.	Feedback to you on emerging issues during audits.	4	3	2	1
13.	Duration of the audit.	4	3	2	1
14.	Timeliness of the Audit Report.	4	3	2	1
15.	Accuracy of the audit findings.	4	3	2	1
16.	Clarity of the Audit Report.	4	3	2	1
17.	Usefulness of the audit in improving business process and controls.	4	3	2	1
18.	Internal audit follow-up on corrective action.	4	3	2	1
Management of the Internal Audit Activity					
19.	Your understanding of the Internal Audit Office's purpose.	4	3	2	1
20.	Effectiveness of Internal Audit Office management.	4	3	2	1
Value Added					
21.	Assistance to management in risk assessment.	4	3	2	1
22.	Partnership with management on control issues.	4	3	2	1
23.	Degree of impact on organizational oversight (corporate governance)	4	3	2	1

KEY: 4 = Excellent, 3 = Good, 2 = Fair, 1 = Poor

24. Was there anything about the audit(s) and/or other audit services such as consulting that you especially liked? (Include new or existing areas where you think audits should be increased and/or consulting services received or which would be helpful.)

25. Was there anything about the audit(s) or other audit activities that you especially disliked? (Include areas where you think audits should be decreased and/or suggestions for how audit services could be improved.)

26. Specifically, how might the internal audit activity better add value to the City of El Paso?

27. Additional comments:

Signature (optional): ____